

APPROVED

SEP 30 2020

THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

CHARLOTTE WESSALL

SECRETARY TO THE BOARD OF TRUSTEES

Board of Trustees Meeting

June 10, 2020 | 8:30 AM

PARTICIPANTS

Trustees: Cristina Aguirre-Ross, Taesha Aurora, Anne Chao, Joseph Dobronyi, Thomas Driscoll, Wanda Felton, Pam Flaherty, Stephen Gerard, Elizabeth Graziolo, Eric Hirschhorn, Aftab Hussain, Mahmoud Khair-Eldin, Malcom King, Lynn Lander, Margaret Matz, Brian Steinwurtzel, Rachel Warren (Chair), Jeremy Wertheimer, Carol Wolf

Officers: President Laura Sparks, Treasurer John Ruth, Secretary Charlotte Wessall

Financial Monitor: Richard Faughnan and Ron Salluzzo

Representatives: Melody Baglione, Yuri Masnyj

Absent: Kevin Slavin

The meeting, conducted via Zoom, was called to order at 8:32 a.m. and began with an Executive Session. The Regular Session was called to order at 9:00 a.m.

The minutes from the March 11, 2020 Board of Trustees Meeting and May 5, 2020 Board of Trustees Special Meeting were previously presented for approval. Upon motion made and seconded, the minutes were approved.

Ms. Warren reported that during the Executive Session:

- Carol Wolf was elected as Alumni Trustee to the Board.
- Jamie Levitt was nominated to be elected as a Trustee at the September 30, 2020 meeting.
- The faculty tenure recommendations as recommended by the Academic and Student Affairs Committee were approved by the Board of Trustees.

Chair's Report

Ms. Warren reported on the Board Retreat held (virtually) the day before. At the Retreat, the Board received its annual governance training as required under the Consent Decree with a presentation by Laura Butzel, Esq., Partner and Chair of Patterson Belknap's Tax Exempt Organization's group, on fiduciary roles and responsibilities. The Board also reviewed best practices for planning and decision making. In addition, the Board engaged the Deans and President Sparks in a discussion on the impact and effects of COVID-19 during the past semester, and the Board reviewed Management's plan for the fall semester.

Ms. Warren reported that Alumni Trustee Scott Lerman termed off the Board and thanked him for his dedication and service to the mission of The Cooper Union. She also thanked the Trustees who joined for the virtual Alumni/Trustee event the previous night which featured the team of Cooper Union staff who designed and fabricated 1500 face shields for New York's frontline workers of the pandemic using the AACE Lab facilities on campus. She remarked how much pride the staff expressed in being able to help the community during a crisis which has had a particularly devastating impact on New York City.

Ms. Warren reminded the Board that while the impacts of the pandemic may be unique, the Board has gained valuable experience over the last few years in working under challenging conditions and managing through crisis. Ms. Warren expressed her appreciation to President Sparks and her Cabinet for their leadership, to the faculty and staff for their dedication and commitment and to the students for adapting under incredibly trying circumstances. Ms. Warren also noted the work of the Board's COVID-19 Task Force which was formed to provide critical expertise and oversight as well as the standing Committees which have contributed guidance during this time.

Ms. Warren thanked Trustees for their contributions noting that it is more important than ever to show fundraising leadership and help build reserves to keep Cooper Union on Plan. Ms. Warren encouraged Trustees to consider making an additional gift this year and reaching out to their various networks in order to gather additional support for Cooper.

President's Report

President Sparks provided an overview of the current state of operations at The Cooper Union as the spring semester has ended and the summer term has begun, all virtually due to the presence of COVID-19 in New York City. For Management, the months ahead will be dedicated to implementing the plan for the fall semester. Ms. Sparks reiterated that over the past twelve weeks, the volume of work completed, and the decisions made have been significant, as faculty, staff, and students reoriented their teaching, working, and learning to this new environment. Ms. Sparks hopes the summer term will be an opportunity for students and faculty to focus their energies on other things and to recharge, though there is a heavy lift ahead to prepare for a fall semester of online teaching and to ready the buildings at a limited scale. The update was brief as the Board held a special meeting on May 5, 2020 and has received multiple communications from President Sparks on the impact of the pandemic over the past several months.

Ms. Sparks discussed at length the impact of the recent national protests that have brought a sharp focus on a set of deep-rooted issues of injustice in the United States. She began by reviewing a letter written by a collection of students – and signed by many students, faculty, and staff – addressed to the Cabinet and Board Chair Rachel Warren. The letter charges The Cooper Union to commit to becoming an anti-racist institution. Ms. Sparks confirmed that Cooper Union is dedicated to advancing change. She shared that the Cabinet met to review the letter together and will continue to convene discussions within Cabinet, the individual academic programs and administrative departments, as well as respond to the letter with some specific thoughts about moving forward. She shared progress that has been made in exploring issues of decolonization of the curriculum and increasing diversity among faculty and staff. She also acknowledged that not enough progress has been made, in part because of long-standing structures that impede a faster rate of change. President Sparks noted that many of the issues raised in the letter relate to operational (Management) and not governance (Board) functions but that some of the structural impediments to change will require

Board support and approval. These issues will be presented to the Board for discussion at future meetings.

Ms. Warren commented on the importance of having a diverse Board that represents multiple perspectives and experiences in order to engage in meaningful and balanced discussions. She reiterated that many of the operational issues are not within the purview of the Board but she emphasized the Board's obligation to educate itself in order to exercise proper oversight. The Board discussed the letter and a point was raised that it may not be fully representative of the student community, particularly the most vulnerable students who do not have time to dedicate to letter-writing for various reasons (e.g., the need to work, time spent on protest activity, mental health challenges) during the concurrent crises in this country. The Board requested resources to learn more about decolonization and anti-racism and several trustees volunteered to lead the Board's education efforts. Ms. Warren will work with President Sparks and these trustees to provide education and platforms for well-informed decision-making.

Student Presentation

Ben Werther, a 2020 School of Art graduate, joined the meeting to present on the BFA Show, a first of a kind virtual worldwide student art exhibition. Senior shows, considered a rite of passage for graduating art students, were canceled as a result of COVID-19. Mr. Werther and a student from NYU joined together to provide an outlet for affected students to share their work with a broader audience. The show has been fully student-run and features more than 800 students, 60 from The Cooper Union. Nearly 3,000 people virtually joined the opening reception for the show, and it has received numerous positive press mentions. The Trustees thanked Mr. Werther for sharing the project and commended him on his ingenuity and collaboration with peers.

Affirmation of Fall 2020 Academic Plans

During the Retreat, Ms. Sparks outlined in detail the COVID-19 Reopening Plan for the fall semester. The Board reviewed the extensive scenario planning process and the priorities that underlie the approach:

- Uphold The Cooper Union's educational mission
- Protect the health and safety of our students, faculty, and staff
- Engage students in an experience that is compelling, rich and inventive
- Sustain the long-term viability of the institution.

Throughout the planning process, Ms. Sparks and members of the Cabinet gathered feedback from faculty, staff, and students on the previous semester to improve upon the fall experience while also taking into account the guidance from federal, state, and local authorities and public health experts. Under the Reopening Plan, all formal course instruction will be conducted online, with limited in-person access for work in the studios, shops, and labs.

This will ensure:

- Consistency in the formal program of classroom and studio instruction so that students are not disadvantaged if their personal circumstances prevent them from coming to New York.
- Students can continue their education remotely if, for example, international or domestic travel or health concerns prevent someone from being in New York.

- Additional space in the buildings will be made available for physically distanced student studio space and labs.
- The Cooper Union can more seamlessly adapt in the event of virus resurgences.

The Cabinet will spend the summer finalizing a series of considerations relating to operations and logistics, enhancing pedagogy and curricula in this context, and creating mechanisms to foster a community of support while remote. Ms. Sparks informed the Board that the Reopening Plan is subject to change following the release of the guidance for reopening institutions of higher education from New York State, for which a timetable has not been shared.

During the Retreat, the Board discussed the Reopening Plan in detail, including additional considerations of liability and protocol enforceability. At the meeting, the Board voted to affirm the Reopening Plan as fulfilling the dual goals of balancing educational mission and keeping the community safe.

Committee Reports and Approvals

Five Committees of the Board held quarterly meetings in May and each provided reports on their activities. Additionally, the Alumni Affairs and Development Committee reported on year-end fundraising progress and the COVID-19 Task Force reported on their activities over the last few months.

Finance & Business Affairs Committee

John Ruth gave an overview of the latest FY 2020 Budget Variance Report (BVR) (as of March 31, 2020), which was included in the materials. For this report, an additional column was incorporated to show the COVID-19 effect on the forecast.

In total, Management projects the bottom-line Net Surplus, which prior to the onset of COVID-19 was on pace to exceed budget by approximately \$400K, is now forecast to be \$2MM unfavorable to budget due to the approximately \$2.4MM negative effect of COVID-19 on the fiscal year's financial results. This would reduce the Net Surplus available to allocate to Plan priorities from the budgeted \$12.5MM to \$10.5MM. The budget variances are summarized below (in thousands):

FY2020 Budget Variance Forecast as of March 31, 2020 (\$ in 000's)	Baseline	Additional COVID-19 Variance	COVID Adjusted Forecast
Leases and tax equivalency payments	\$179	(\$415)	(\$236)
Net tuition and fees	\$88	\$0	\$88
Non-matriculated fees	\$0	(\$500)	(\$500)
Contributions	\$0	(\$2,375)	(\$2,375)
Other revenue	\$0	(\$550)	(\$550)
Net operating savings	\$138	\$927	\$1,065
Capital expenditures	\$0	\$500	\$500
Endowment payout	\$0	\$0	\$0
Total	\$405	(\$2,413)	(\$2,008)

Key takeaways include:

- Prior to the impacts of COVID-19, revenue was tracking slightly ahead of budget by \$267K. This was in part due to an increase in the tax equivalency payments from the Astor Place properties.
- Since the impact of COVID-19, revenue has been negatively impacted by \$3.8MM. Therefore, on the revenue side, there is an expected budget shortfall of approximately \$3.6MM for the year.
 - There has been a revenue reduction from Cooper's retail properties since Governor Cuomo enacted New York Pause.
 - A number of revenue-related impacts stemmed from the cancelation of on-campus classes and activities on March 13. Major revenue-generating events, like the Typographics Conference, have been canceled, as have all facility rentals and summer dorm leases.
 - Cooper has refunded a portion of revenue from student fees and the residence hall, after students left campus and vacated their dorms.
 - Finally, the majority of the reduced revenue is from philanthropic contributions lower than expected as many donors are deferring their gifts during the uncertain economic climate.
- Regarding expenses, since the onset of COVID-19, the Deans and heads of administrative departments have identified areas of savings to mitigate the negative revenue impacts. This effort, in addition to the deferral of expenses relating to capital projects, resulted in an estimated \$1.4MM savings until the end of the fiscal year which will help offset the revenue shortfall for the year.

The Finance and Business Affairs Committee presented the proposed FY 2021 budget, which was provided in advance for the Board's review, to the Board for approval. The budget presented includes a Baseline FY 2021 Budget as well as a COVID-adjusted FY 2021 Budget. The Baseline budget is the core budget, comparable to the existing FY 2020 Budget and consistent with the 10-year Plan, included to illustrate the core operations for the year, before taking into account any anticipated challenges created by the pandemic. The COVID-adjusted budget which is being recommended for approval includes the potential revenue loss and expense modifications, and therefore, anticipated effect of COVID-19 on The Cooper Union's budget for FY 2021.

The COVID-adjusted budget represents the current estimated plan for the next fiscal year, with the understanding that there are many shifting dynamics that may result in changes to the budget. For that reason, Management will be reviewing the budget monthly to make any potential adjustments; per the Finance Committee's charter, the Committee will also be reviewing variances to the budget at its quarterly meetings; and, as recommended by the Finance Committee, Management will report any variance of 10% of greater on overall revenues or expenses to the Finance Committee Co-Chairs.

Management and the Committee highlighted that the COVID-adjusted budget was developed with the following expected conditions:

- Continued challenges with Cooper Union's retail properties as the retail sector across the city struggles due to reduced operations and demand resulting from the Pandemic.
- Enrollment is budgeted at 80% of normal levels, as the assumption is that some students may not be able to continue their education due to their/their families' new financial circumstances, concerns about returning to New York City, the potential inability of international students to return, and concerns about the potential return to an online or hybrid learning environment.
- Dorm is only at 50% capacity for the year due to social distancing requirements which eliminates sharing of rooms by students. In addition, facility rentals are assumed to not be available in Fall semester, cutting normal revenue in half.
- Fundraising/Contributions are challenged with the current environment and fall short of Plan (and Baseline Budget) by \$1.3 million or 17%. This is based on a high-level estimate by our Development department which could be further reduced based on any continuing economic stresses.
- Expense cuts and various initiatives help to offset the revenue shortfalls potentially caused by the COVID-19 Pandemic. However, some additional expenses may arise from increased cleaning, preparing the building for safe occupancy, and technology upgrades for distance learning.

A number of potential initiatives are also included in the budget as expense-saving levers to be employed if necessary. These are not necessarily recommended but were reviewed to provide the Board a view of other options should they be needed. Management confirmed that the budget represents the cost of the fall semester reopening plan the Board just affirmed.

In a typical environment and according to Cooper's long-term financial Plan, budgeted expenses and revenues are expected to grow each year. For FY 2021, Management and the Finance Committee have worked to keep budget operating expenses flat on a COVID-adjusted basis. This represents a significant effort to contain expenses in order to offset the 6.5% COVID-adjusted decrease to budgeted revenues. The net COVID impact is a \$5.1MM budgeted reduction to the Net Surplus available to allocate to Plan priorities (\$7.3MM vs \$12.4MM).

The Finance Committee reported on Cooper Union's receipt of a low-interest forgivable loan through the Paycheck Protection Program (PPP), a government relief program implemented to encourage employee retention during COVID-19. The Board asked for any updates on the opportunity to convert the Payroll Protection Program loan into a grant through the forgiveness feature. Mr. Ruth advised that the process for loan forgiveness has not yet commenced but Management has compiled all of the documentation necessary to demonstrate that we complied with the guidelines for receiving the funds and for forgiveness and will apply as soon as the process opens. While Cooper will be able to pay back the loan if necessary, it has funded payroll and kept people employed during the period as intended. The Board discussed further the process for applying and accepting the funds to ensure the decision was made appropriately and with all due considerations.

As required by the Consent Decree, the Financial Monitor provided its opinion on the proposed FY21 budget. Noting the complexity and various unknowns that Cooper Union is facing, the Financial Monitor recommended that the Board approve the FY21 budget as proposed by Management. The Financial Monitor further recommended that the Finance Committee review progress against the budget in detail at its quarterly meeting in September to ensure the institution is still on track.

As recommended by the Finance Committee, the resolution to approve the budget will be subject to a review in September and require Management to return with any overall revenue or expense variances greater than 10%. The Board noted that every year the budget is approved pending final enrollment and corresponding tuition revenue numbers, which are solidified once fall registration is complete.

There were no further questions and upon motion duly made and seconded, the Board approved a resolution to adopt Cooper Union's Budget for Fiscal Year 2021 as presented, pending final enrollment and tuition numbers, and with the request that Management report any variance to revenue or expenses greater than 10% to the Finance Committee. The FY 2021 Budget summary attached to the resolution is below:

Fiscal Year 2021 Operating Budget for The Cooper Union for the Advancement of Science and Art

	<u>Unrestricted Budget</u>	<u>Full Budget</u>
<i>Revenue</i>		
Real Estate	\$58,945	\$58,945
Undergraduate and Graduate Tuition and Fees, net of scholarships	\$11,283	\$11,283
Contributions	\$6,169	\$11,090
Student Housing and Other Rental Income	\$1,600	\$2,692
Endowment payout	\$4,680	\$6,293
Other Revenue	\$500	\$500
Total Revenue	\$83,177	\$91,153
<i>Expenditures</i>		
Education, General and Auxiliaries	\$55,582	\$58,916
Debt Service and Capital	\$20,296	\$21,826
Depreciation, Amortization and Other Non-Cash		\$9,620
Total Expenditures	\$75,878	\$90,362
Net Surplus (Allocated to Plan Priorities)	\$7,299	\$791

COVID-19 Task Force

The COVID-19 Task Force Chair presented a report on the group's recent activities. As previously reported, Ms. Warren appointed the task force to coordinate the Board's oversight of COVID-19 related issues. The Task Force has met biweekly since Cooper's shift to remote operations. During the meetings, the Task Force receives a financial update to review any changes in the year to date forecast that arise between Finance and Investment Committee quarterly meetings. The Task Force was also charged with reviewing the scenario planning process and ensuring it is moving at an appropriate pace with sufficient information. As this work is coming to a conclusion with the Board's affirmation of the Reopening Plan for the fall semester, the Task Force will shift to a less frequent meeting schedule with regular written updates from Management.

Academic and Student Affairs Committee

The Board approved an updated list of 2020 graduates, as one additional graduate was added after the initial approval on May 25. The preliminary admissions report was included for the Board's review. Currently, each school has met enrollment targets but expects drop off over the summer, some of which is standard, and some of which will be a result of COVID-19 and Cooper's plans for the fall.

The Board reviewed the Testing Optional Pilot that will run for two years at Cooper Union. As standardized tests have been canceled as a result of COVID-19, many applicants for the 2020 and 2021 admissions cycles will not have the opportunity to take these tests prior to applying. Ms. Sparks also noted that the Office of Enrollment has spent time evaluating the strength of standardized test scores in predicting student success for a while prior to the pandemic, and this pilot will provide an opportunity to collect and assess important data to use moving forward in the admissions process.

The Committee provided an update on the development of a potential Computer Science program, sharing that the School of Engineering will spend the summer implementation planning for the proposed major. Ms. Sparks confirmed that this new major would not be implemented until and unless sustainable funding for it is secured. There are no plans to eliminate any of the four core engineering majors. Additionally, the School of Engineering has developed a proposal for a minor in Bioengineering and identified a potential funding source.

Alumni Affairs and Development Committee

The Committee Co-Chairs reviewed the Development Report, included in the Board's materials, and provided an overview of the balance that needs to be raised and strategies being employed for the final few weeks of the fiscal year. As of June 1, The Cooper Union was \$2.7MM shy of the original Current Use Fundraising total. As outlined in the Budget Variance Report, fundraising activities have been stunted by COVID-19. Additionally, in March, the Benefit, originally scheduled for June 8 was postponed. The Benefit was budgeted to raise \$325k for FY 2020 (net of expenses). The Development Office is planning a virtual benefit, Concert for Cooper, on August 12, and funds raised will apply to FY 2021.

There are many year-end initiatives planned to help meet the FY20 year-end goal, including Reunion giving, which has currently raised more than \$625k through class giving, and coordination with the CUAA on annual fund outreach to alumni. The Co-Chairs stressed the importance of Trustees continuing their fundraising outreach and encouraged any Trustee to reach out to them for assistance.

The Committee presented the revised Gift Acceptance Policy for The Cooper Union for the Board's approval. The Board reviewed the draft policy at the March meeting and recommended changes which were incorporated into the final version. Ms. Sparks clarified that this policy will likely evolve as best practices emerge in light of recent events at other institutions but Management feels it is important to approve a policy now in order to define the rights of Cooper Union and its donors. Ms. Warren noted that the policy, as drafted, sufficiently addresses various legal and fiduciary issues but she encouraged the Board and Management to develop internal policies to review reputational and ethical issues which may arise with gifts of any size. Management confirmed the approved policy will be posted on Cooper Union's [website](#) and shared with donors. Upon motion made and seconded, the Gift Acceptance Policy was approved.

Audit Committee

The Board reviewed the IRS Form 990 for approval. Due to the COVID-19 pandemic, the filing deadline was extended this year from May 15 to July 15. The 990 was previously approved by the Audit Committee. Upon motion made and seconded, the Form 990 was approved.

The Committee presented a summary of its discussion on Enterprise Risk Management relating to COVID-19. This year, the Committee will focus on risks relating to academic quality, particularly in the context of the pandemic; diversifying revenue sources and other significant financial challenges; harassment and Title IX; and physical security.

Governance Committee

The Governance Committee Co-Chairs reviewed the list of near- to medium-term Trustee prospects and thanked Trustees who have submitted names and helped shepherd candidates through the process. The Co-Chairs reminded Trustees of the process for recommending candidates and the importance of expanding and diversifying the Board's expertise and perspectives. This is particularly important this year since several Trustees will be ending their terms at the start of the December 2020 annual meeting.

The Committee reported that they plan to review the Board's Bylaws and discuss proposed amendments at the September quarterly meeting. It has been five years since the Bylaws were last updated and it is prudent to review them now and in conjunction with the Consent Decree. Ms. Warren urged all Trustees to review the Bylaws and submit any suggestions, questions or input (conceptual or specific) as soon as possible.

Investment Committee

The Co-Chairs of the Investment Committee presented the quarterly investment update, as of March 31, 2020. The report from Cambridge, Cooper's investment advisor, was provided prior to the meeting and showed the portfolio balance as of March 31, 2020 of approximately \$181 million.

Performance Summary – Total Portfolio as of March 31, 2020:

	1Q 2020	FYTD 2020	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Trailing 10 Years
Total Assets	-13.5	-9.4	-6.2	2.3	2.3	4.3
Total Assets ex Cash	-14.7	-10.3	-6.9	2.8	3.0	5.1
Dynamic Benchmark	-13.0	-9.0	-6.5	1.2	1.4	3.0
Total Assets Benchmark	-10.6	-7.7	-5.4	1.5	1.8	3.9

The portfolio has rebounded since March 31st and, as of the end of May, is only down 2% for the year. The Committee reported that because of the recent market volatility, it has scheduled monthly (rather than quarterly) telecons with Cambridge to better understand performance in real-time, and to receive guidance from our outside experts and make decisions, if necessary, on a timely basis.

As Representatives provided input throughout the meeting, there was no additional input to share. There was no new business and the Board moved to Executive Session. The meeting adjourned at approximately 12:37 p.m.