Consolidated Financial Statements and Report of Independent Certified Public Accountants

The Cooper Union for the Advancement of Science and Art

June 30, 2023 and 2022

Contents

GRANT THORNTON LLP
757 Third Ave., 9th Floor
New York, NY 10017-2013

D +1 212 599 0100
F +1 212 370 4520

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the financial statements

Opinion

We have audited the consolidated financial statements of The Cooper Union for the Advancement of Science and Art and its affiliates (collectively, the "College"), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

As discussed in Note A to the consolidated financial statements in 2023, the College adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

New York, New York
January 4, 2024

The Cooper Union for the Advancement of Science and Art

CONSOLIDATED BALANCE SHEETS

June 30,

	2023	2022
ASSETS		
Cash and cash equivalents	$ 21,226,720	$ 18,569,262
Other receivables, net	404,940	1,014,663
Contributions receivable, net (Note E)	8,930,032	4,461,937
Loans to students, net of allowance for doubtful loans of $0 and $34,238 in 2023 and 2022, respectively	106,266	375,051
Prepaid expenses and other assets (Note H)	1,348,192	1,831,595
Funds held by trustee (Notes B, H and I)	3,781,081	3,786,081
Lease issuance costs (Note H)	2,039,177	2,223,009
Perpetual trust held by other (Note B)	2,255,979	-
Investments (Notes B and C)	1,019,543,173	1,017,609,155
Operating lease right-of-use assets (Note J)	15,308,408	-
Plant assets, net (Note F)	129,409,623	130,982,693
Total assets	$ 1,204,353,591	$ 1,180,853,446
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 7,354,130	$ 8,021,591
Accrued interest on long-term loans	1,954,006	1,987,976
Liability under charitable trusts and annuity agreements (Note B)	2,941,204	3,069,089
Accrued postretirement benefit obligation (Note G)	39,929,848	34,003,490
Deferred revenue (Note H)	104,155,219	101,036,766
Operating lease liabilities (Note J)	15,452,197	-
Long-term loans, net (Note I)	200,151,376	206,718,800
Total liabilities	371,937,980	354,837,712
Commitments and contingencies (Notes I, J and M)		
NET (DEFICIT) ASSETS (Note K)		
Without donor restrictions	(97,757,564)	(102,636,570)
With donor restrictions:		
Restricted as to purpose or time	816,366,074	827,789,910
Restricted in perpetuity	113,807,101	100,862,394
	930,173,175	928,652,304
Total net assets	832,415,611	826,015,734
Total liabilities and net assets	$1,204,353,591	$1,180,853,446

The accompanying notes are an integral part of these consolidated financial statements.

The Cooper Union for the Advancement of Science and Art

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2023, with comparative totals for the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Operations				
Revenues and support:				
Investment return utilized for operations (Notes B and K)	$ 69,202,207	$ -	$ 69,202,207	$ 56,631,862
Student revenues, net (Note D)	15,909,288	-	15,909,288	14,005,480
Contributions	5,878,112	6,752,404	12,630,516	12,377,495
Forgiveness of PPP loan	-	-	-	6,562,500
Government grants, contracts, and appropriations	301,084	142,947	444,031	3,824,153
Rental income (Notes H and J)	1,788,096	-	1,788,096	2,646,030
Other revenue	609,816	-	609,816	545,404
Net assets released from restrictions	3,602,382	(3,602,382)	-	-
Total revenues and support	97,290,985	3,292,969	100,583,954	96,592,924
Expenses (Note L):				
Salaries	32,657,960	-	32,657,960	30,516,565
Employee benefits	14,867,098	-	14,867,098	14,214,931
Interest (Note I)	11,473,031	-	11,473,031	11,870,963
Depreciation and amortization	8,764,206	-	8,764,206	8,524,172
Occupancy and other related expenses	6,441,358	-	6,441,358	6,024,309
Supplies, services, and other office expenses	9,115,711	-	9,115,711	9,771,840
Other operating expenses	5,808,182	-	5,808,182	5,454,147
Total expenses	89,127,546	-	89,127,546	86,376,927
Excess of operating revenues over operating expenses, before nonoperating activities	8,163,439	3,292,969	11,456,408	10,215,997
Nonoperating activities				
Net investment return (loss) (Note B)	62,886,275	(8,093,215)	54,793,060	41,342,717
Net investment return utilized in operations (Notes B and K)	(62,886,275)	(6,315,932)	(69,202,207)	(56,631,862)
Change in value of perpetual trust	-	22,103	22,103	-
Contribution of perpetual trust	-	2,233,876	2,233,876	-
Contributions for endowment	-	10,923,728	10,923,728	4,273,288
Net assets released from restrictions for capital and other reclassifications (Note K)	542,658	(542,658)	-	-
Amounts not yet recognized as a component of net periodic postretirement cost (Note G)	(3,827,091)	-	(3,827,091)	12,851,828
CHANGE IN NET ASSETS	4,879,006	1,520,871	6,399,877	12,051,968
Net (deficit) assets at beginning of year	(102,636,570)	928,652,304	826,015,734	813,963,766
Net (deficit) assets at end of year	$ (97,757,564)	$ 930,173,175	$ 832,415,611	$ 826,015,734

The accompanying notes are an integral part of this consolidated financial statement.

The Cooper Union for the Advancement of Science and Art

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2022
Operations			
Revenues and support:			
Investment return utilized for operations (Notes B and K)	$ 56,631,862	$ -	$ 56,631,862
Student revenues, net (Note D)	14,005,480	-	14,005,480
Contributions	9,224,511	3,152,984	12,377,495
Forgiveness of PPP loan	6,562,500	-	6,562,500
Government grants, contracts, and appropriations	3,202,093	622,060	3,824,153
Rental income (Notes H and J)	2,646,030	-	2,646,030
Other revenue	545,404	-	545,404
Net assets released from restrictions	3,487,827	(3,487,827)	-
Total revenues and support	96,305,707	287,217	96,592,924
Expenses (Note L):			
Salaries	30,516,565	-	30,516,565
Employee benefits	14,214,931	-	14,214,931
Interest (Note I)	11,870,963	-	11,870,963
Depreciation and amortization	8,524,172	-	8,524,172
Occupancy and other related expenses	6,024,309	-	6,024,309
Supplies, services, and other office expenses	9,771,840	-	9,771,840
Other operating expenses	5,454,147	-	5,454,147
Total expenses	86,376,927	-	86,376,927
Excess of operating revenues over operating expenses, before nonoperating activities	9,928,780	287,217	10,215,997
Nonoperating activities			
Net investment return (loss) (Note B)	51,264,466	(9,921,749)	41,342,717
Net investment return utilized in operations (Notes B and K)	(51,264,466)	(5,367,396)	(56,631,862)
Contributions for endowment	-	4,273,288	4,273,288
Net assets released from restrictions for capital and other reclassifications (Note K)	2,071,451	(2,071,451)	-
Amounts not yet recognized as a component of net periodic postretirement cost (Note G)	12,851,828	-	12,851,828
CHANGE IN NET ASSETS	24,852,059	(12,800,091)	12,051,968
Net (deficit) assets at beginning of year	(127,488,629)	941,452,395	813,963,766
Net (deficit) assets at end of year	$ (102,636,570)	$ 928,652,304	$ 826,015,734

The accompanying notes are an integral part of this consolidated financial statement.

The Cooper Union for the Advancement of Science and Art

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Changes in net assets	$ 6,399,877	$ 12,051,968
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	8,764,206	8,524,172
Change in operating lease right-of-use assets	1,062,362	-
Amortization of deferred issuance costs	580,610	580,610
Net unrealized and realized losses (gains) on investments	5,384,001	18,321,850
Change in value of split-interest agreements	255,758	471,728
Contributed beneficial interest in perpetual trust	(2,255,979)	-
Contributions for donor-restricted endowment	(8,070,094)	(4,273,288)
Forgiveness of PPP loan	-	(6,562,500)
Changes in assets and liabilities:		
Contributions receivable, net of amounts classified as financing activities	(4,468,095)	770,382
Loans to students	267,762	-
Other receivables	609,723	808,195
Prepaid expenses and other assets	483,403	(79,475)
Principal payments on operating lease liabilities	(918,573)	-
Accounts payable and accrued expenses	(701,430)	(742,759)
Deferred revenue	3,118,453	320,782
Accrued postretirement benefit obligation	5,926,358	(10,524,994)
Net cash provided by operating activities	16,438,342	19,666,671
Cash flows from investing activities		
Purchases of investments	(210,176,995)	(97,935,707)
Proceeds from sales of investments	202,858,976	68,406,919
Collection of loans from students	1,023	11,211
Capital expenditures	(7,191,136)	(6,487,689)
Net cash used in investing activities	(14,508,132)	(36,005,266)
Cash flows from financing activities		
Contributions for donor-restricted endowment	8,070,094	4,273,288
Principal payments on loans	(6,964,203)	(6,568,112)
Proceeds of new charitable gift annuities	-	46,436
Payments to beneficiaries under charitable annuities	(383,643)	(1,743,189)
Net cash used in financing activities	722,248	(3,991,577)
Net increase (decrease) in cash, cash equivalents and restricted cash	2,652,458	(20,330,172)
Cash, cash equivalents, and restricted cash at beginning of year	22,355,343	42,685,515
Cash, cash equivalents, and restricted cash at end of year	$ 25,007,801	$ 22,355,343
Supplemental cash flow information		
Cash paid during the year for interest	$ 11,507,000	$ 11,903,092

The accompanying notes are an integral part of these consolidated financial statements.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying consolidated financial statements include the consolidated balance sheets, statements of activities and cash flows of The Cooper Union for the Advancement of Science and Art and its affiliates, The C.V. Starr Research Foundation at The Cooper Union for the Advancement of Science and Art, Inc. (formerly, The Cooper Union Research Foundation, Inc.) and Astor Place Holding Corporation ("Astor Place") (collectively, the "College" or "The Cooper Union").

The College was founded in 1859 through the bequest of Peter Cooper, a noted industrialist and philanthropist. 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. It offers degree programs in architecture, art, and engineering. The College provided full-tuition scholarships to all students through the year ended June 30, 2014. In April 2013, the Board of Trustees of The Cooper Union voted to reduce the baseline scholarship to a minimum of 50% for undergraduate students beginning with the class entering in fall 2014. The College designated a tuition rate of $44,550 for full-time undergraduate students for the years ended June 30, 2023 and 2022.

The C.V. Starr Research Foundation at The Cooper Union for the Advancement of Science and Art, Inc. 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, the C.V. Starr Research Foundation at The Cooper Union for the Advancement of Science and Art, Inc., and Astor Place. All significant inter-organizational balances and transactions have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements of the College are prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Net assets and revenues, expenses, 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:

- Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations.

- Net assets with donor restrictions - 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 as received are reported as net assets without donor restrictions. Expirations of donor-imposed time or use restrictions on prior year net asset balances are reported as net assets released from restrictions.

- Net assets with donor restrictions also include those net assets subject to donor-imposed stipulations that they be maintained in perpetuity 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.

Accounting for Uncertainty in Income Taxes

The Cooper Union for the Advancement of Science and Art and the C.V. Starr Research Foundation are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "IRC"). Astor Place is exempt from federal income tax under Section 501(c)(2) of the IRC.

The College follows the provisions of the Accounting Standards Codification ("ASC") 740, *Accounting for Uncertainties in Income Taxes*. ASC 740-10 clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax position can be recognized in the consolidated financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The College is exempt from Federal and New York State income taxation by virtue of being an organization described in Section 501(c)(3) of the IRC and similar provisions of the New York State tax code. Nevertheless, the College may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. The College believes that there are no material uncertain tax positions within its 2023 and 2022 consolidated financial statements.

The Tax Cuts and Jobs Act passed by Congress in 2017 imposes a 1.4% excise tax on specifically defined net investment income of private tax-exempt universities which meet certain criteria. For the years ended June 30, 2023 and 2022, the College did not meet the criteria and, as a result, recorded no provision for tax in its 2023 or 2022 consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term investments with original maturities of three months or less from the date of purchase, including treasury bills, except for those short-term investments that are managed by The Cooper Union's investment managers, which are part of the long-term investment strategy of the College.

Restricted Cash

The following table provides a reconciliation of cash and restricted cash reported on the accompanying consolidated balance sheets that total the amounts presented on the accompanying consolidated statements of cash flows.

	2023	2022
Cash and cash equivalents	$ 21,226,720	$ 18,569,262
Funds held by trustee (restricted cash)	3,781,081	3,786,081
Total cash, cash equivalents, and restricted and restricted cash shown on the consolidated statements of cash flows	$ 25,007,801	$ 22,355,343

Funds held by trustee represent amounts contractually required by a lender (see Notes H and I for additional details).

Concentrations of Risk

Financial instruments that potentially subject The Cooper Union to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Cooper Union maintains its cash and cash equivalents in various bank deposit accounts that at times may exceed federally insured limits. The Cooper Union maintains a diverse investment portfolio invested amongst various funds and asset classes employing different strategies to maximize returns and to preserve capital. The Cooper Union's cash and cash equivalents are placed with high-credit quality financial institutions. The Cooper Union has not experienced, nor does it anticipate, any losses with respect to such accounts.

In addition, a significant amount of The Cooper Union's annual revenues and support is derived from distributions received from its real estate investments, as further discussed in footnote C. Further, of the cash flows derived from the leases with tenants that encumber such assets, 50% and 54%, respectively, is concentrated with a single party for the year ended June 30, 2023 and 2022.

Revenue Recognition

On July 1, 2020, the College adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using the modified retrospective approach. In accordance with Financial Accounting Standards Board ("FASB") ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), the College recognizes revenue when control of the promised goods or services are transferred to the College's students or outside parties in an amount that reflects the consideration the College expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The College has identified student revenues as a revenue category subject to ASC 606. The College recognizes contracts with customers as goods or services are transferred or provided in accordance with ASC 606.

Contributions

The College recognizes revenue from contributions in accordance with ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the College evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the College applies guidance under ASC 606. If the transfer of assets is determined to be a contribution, the College evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the College is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Contributions, including unconditional promises to give, are reported as revenues in the period received. Contributions receivable are discounted to reflect the present value of estimated future cash flows using a risk-adjusted rate, which articulates with the collection period of the respective pledge. In addition, an allowance for contributions receivable estimated to be uncollectible is provided as determined to be appropriate.

Release of Restrictions on Net Assets Held for Acquisition of Property, Plant, and Equipment

Contributions of property, plant, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets with donor stipulations to acquire or construct property, plant, and equipment are reported as revenues of the net assets with donor restrictions class; the restrictions are considered to be satisfied at the time such long-lived assets are acquired or constructed, and placed into service.

Depreciation and Amortization

Buildings, building improvements, software, and equipment are depreciated on a straight-line basis over their estimated useful lives ranging from 3 to 40 years. Leasehold improvements are amortized on a straight-line basis over their estimated useful lives or the life of the lease to which they pertain, whichever is shorter.

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the fair value of real estate properties and non-exchange traded alternative investments, the useful lives assigned to fixed assets, accrued postretirement benefit obligations, the allowance for doubtful loans and contributions receivable, and liabilities under charitable trusts and annuity agreements. Actual results could differ from such estimates.

Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of the fair value hierarchy are as follows:

Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date;

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - inputs are unobservable for the asset or liability.

The Cooper Union also measures certain investments using a net asset value (“NAV”) per ownership share, which is exempted from categorization within the fair value hierarchy and related disclosures. Instead, The Cooper Union separately discloses the information required for assets measured using the NAV practical expedient and discloses reconciling items between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value as reported on the consolidated balance sheets.

Fair Value of Financial Instruments

The fair value of investments is determined as indicated in Note B. The carrying amount of long-term loans approximates fair value. The fair value of long-term loans is based on observable interest rates and maturity schedules that fall within Level 2 of the hierarchy of fair value inputs. The carrying amounts of all other financial instruments approximate fair value due to the short maturity of those instruments.

Deferred Giving Arrangements

The Cooper Union enters into deferred giving agreements with donors to accept and administer charitable gift annuities, charitable remainder trusts, charitable lead trusts, unitrusts, and pooled income funds, the beneficiaries of which include The Cooper Union. The Cooper Union manages and invests these assets on behalf of donor stipulated beneficiaries until the agreement expires and the assets are distributed.

Such split-interest agreements provide for payments to the donors or their beneficiaries based upon either the income earned on related investments or specified annuity amounts. Assets held under these arrangements are reported at fair value and included in investments on the consolidated balance sheet. Contribution revenue is recognized at the date the trust or annuity contract is established after recording liabilities for the present value of the estimated future payments expected to be made to the donors and/or other stipulated beneficiaries. The College has elected the fair value reporting option under ASC 825, which requires the liabilities under charitable trusts and annuity agreements to be measured at fair value annually based upon changes in the life expectancy of the donor or beneficiary and the discount rate in effect at the date of measurement. Such obligations have been categorized as Level 2 within the fair value hierarchy.

The discount rates used in the calculation of obligations due under charitable trusts and annuity agreements as of June 30, 2023 and 2022 ranged each year from 0.6% to 7.8%. State-mandated insurance reserves related to charitable gift annuity agreements are maintained at the required level.

Perpetual Trust Held by Other

A perpetual trust is held by an outside trustee for the benefit of the College in accordance with the terms of an irrevocable trust. The present value of the estimated future cash flows from the trust was recognized as an asset and gift income on the date the trust was established. According to the terms of the trust, the College receives income earned by the trust assets annually which is recorded as investment income.

Operating Lease Right-of-Use Assets and Liabilities

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the balance sheet for leases with terms exceeding 12 months. Additionally, in July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements* which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the consolidated financial statements and instead recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. The College adopted ASU 2016-02 and its related amendments as of June 30, 2023, which resulted in the recognition of operating lease right-of-use assets totaling $15,308,408 and operating lease liabilities totaling $15,452,197. The College elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of July 1, 2022 without restating any prior year amounts or making a cumulative effect adjustment to the opening balance of net assets. The additional lease disclosures are in Note J.

Upon adoption, ASC 842 *Leases* had an impact on the College's consolidated balance sheet as of June 30, 2023 and the consolidated statement of activities for the year then ended. As part of the transition, the College elected to apply the cumulative effect adjustment transition approach and the following practical expedients:

- The package of practical expedients which eliminates the need to reassess (1) whether any expired or existing contracts are or contain leases; (2) the lease classification for any expired or existing leases; and (3) the initial direct costs for any existing leases.
- The practical expedient whereby the lease and non-lease components will not be separated for all classes of assets.

- Not to recognize right-of-use assets and corresponding lease liabilities with a lease term of 12 months or less from the lease commencement date.
- The practical expedient whereby the risk-free rate is utilized for all classes of assets.
- The College did not elect the hindsight expedient during transition.

Nonoperating Activities

Nonoperating activities are distinguished from operating activities and include excess of net investment return (loss) over amounts utilized in operations, contributions for endowment, net assets released from restrictions for capital and other reclassifications, and amounts not yet recognized as a component of net periodic postretirement cost.

Subsequent Events

The College evaluated its June 30, 2023 consolidated financial statements for subsequent events through January 4, 2024, the date the consolidated financial statements were available for issuance. The College is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

NOTE B - INVESTMENTS

Investments in debt and equity securities with readily determinable fair values are reported at fair value based on quoted market values as of the reporting date. Alternative investments such as hedge funds, fund of funds, limited partnerships, and similar interests are reported based on amounts provided by the respective investment managers or general partners at NAV per share as a practical expedient for fair value reporting. Because alternative investments are not readily marketable, NAV may differ significantly from the values that would have been reported had a ready market for such investments existed. Such differences could be material. The Cooper Union reviews and evaluates the values provided by its investment managers and general partners and agrees with the valuation methods and assumptions used in determining the fair value of its alternative investments as of the reporting date.

Real estate investments (Note C) consist of land and building of the Chrysler Building (405 Lexington Avenue), 51 Astor Place, and 22-36 Astor Place, all located in New York City, New York.

Included in investments are charitable trusts and gift annuities amounting to $5,971,413 and $5,903,686 as of June 30, 2023 and 2022, respectively. The Cooper Union’s liability under these charitable trusts and gift annuities totaled $2,941,204 and $3,069,089 as of June 30, 2023 and 2022, respectively.

Treasury bills with original maturities of three months or less from the date of purchase, which are included in cash and cash equivalents, are considered Level 1 in the fair value hierarchy.

The Cooper Union invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the reported values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported on the accompanying consolidated balance sheets.

The components of investment return for the years ended June 30, 2023 and 2022 follows:

	2023	2022
Real estate rental income, net (Note C)	$ 56,766,942	$ 57,333,512
Interest and dividends	4,112,264	3,748,272
Unrealized (losses) gains on real estate investments	(20,270,000)	5,080,000
Unrealized gains (losses) on other investments	5,260,671	(38,218,781)
Realized gains on investments	9,625,328	14,816,932
Investment expenses	(702,145)	(1,417,218)
Net investment return	$ 54,793,060	$ 41,342,717
Investment returns (losses) are classified amongst net assets as follows:		
With donor restrictions	$ (14,409,147)	$ (15,289,145)
Without donor restrictions and utilized for operations	69,202,207	56,631,862
Net investment return	$ 54,793,060	$ 41,342,717

Amounts without donor restrictions utilized for operations consist of (a) all real estate rental income, net of applicable real estate taxes, (b) the amount of spending from non-real estate endowment and other investments, as defined by the College's annual spending policy, approved by the Board of Trustees, and (c) net investment returns on working capital and short-term investments without donor restrictions.

The components of investments as of June 30, 2023 and 2022 follows:

	2023	2022
Endowment (inclusive of Chrysler Building value of $715,600,000 and $735,600,000 as of June 30, 2023 and 2022, respectively)	$ 907,519,023	$ 909,670,047
Investments relating to charitable trusts and gift annuities	5,971,413	5,903,686
Real estate investments, other than Chrysler Building	3,550,000	3,820,000
Other non-endowment-related investments	102,502,737	98,215,422
Total investments	$1,019,543,173	$1,017,609,155

The following tables present The Cooper Union's fair value hierarchy for investments as of June 30, 2023 and 2022. Certain investments measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets:

	2023 Fair Value Measurements						
	Fair Value	Level 1	Level 2	Level 3	# of Funds	Redemption or Liquidation Frequency	Days' Notice
Cash, cash equivalents, and short-term investments held by investment managers and trustees, including receivables due from broker of $242,260	$ 2,817,886	$ 2,817,886	$ -	$ -			
Corporate bonds	29,366,831	-	29,366,831	-			
Equity securities:							
U.S. equity	47,710,689	47,710,689	-	-			
International equity	30,703,881	30,703,881	-	-			
Mutual funds	25,430,475	25,430,475	-	-			
Real estate	719,150,000	-	-	719,150,000			
Other	60,254	-	-	60,254			
Subtotal	855,240,016	106,662,931	29,366,831	719,210,254			
Investments valued at NAV:							
Hedge funds:							
Long/short equity	19,216,936	-	-	-	3	Quarterly/Monthly	30-60
Absolute return	20,879,642	-	-	-	2	Quarterly	45-65
Global equity	48,075,765	-	-	-	1	Weekly	4
Limited partnerships:		-	-	-			
U.S. equity	13,000,000	-	-	-	1	Monthly	10
Global equity	7,728,409	-	-	-	1	Monthly	10
Absolute return	9,687,405	-	-	-	2	Quarterly	45-65
Venture capital funds	9,106,681	-	-	-	2	Illiquid	N/A
Growth-stage internet and		-	-	-			
mobile companies	14,769,942	-	-	-	3	Illiquid	N/A
Limited partnerships	21,838,377	-	-	-	8	Illiquid	N/A
Subtotal	164,303,157	-	-	-			
Total investments	$ 1,019,543,173	$ 106,662,931	$ 29,366,831	$ 719,210,254	23		

	2022 Fair Value Measurements						
	Fair Value	Level 1	Level 2	Level 3	# of Funds	Redemption or Liquidation Frequency	Days' Notice
Cash, cash equivalents, and short-term investments held by investment managers and trustees, including receivables due from broker of $306,486	$ 2,635,622	$ 2,635,622	$ -	$ -			
Corporate bonds	31,930,488	-	31,930,488	-			
Equity securities:							
U.S. equity	38,416,146	38,416,146	-	-			
International equity	40,701,155	40,701,155	-	-			
Mutual funds	9,282,913	9,282,913	-	-			
Real estate	739,420,000	-	-	739,420,000			
Other	60,254	-	-	60,254			
Subtotal	862,446,578	91,035,836	31,930,488	739,480,254			
Investments valued at NAV:							
Hedge funds:							
Long/short equity	17,409,158	-	-	-	3	Quarterly/Monthly	30-60
Absolute return	19,318,353	-	-	-	2	Quarterly	45-65
Global equity	39,020,687	-	-	-	2	Weekly/Daily	3-6
Limited partnerships:		-	-	-			
Global equity	16,269,799	-	-	-	1	Monthly	6
Absolute return	9,348,487	-	-	-	2	Quarterly/Annually	45-65
Venture capital funds	11,059,152	-	-	-	2	Illiquid	N/A
Growth-stage internet and		-	-	-			
mobile companies	15,936,169	-	-	-	3	Illiquid	N/A
Limited partnerships	26,800,772	-	-	-	7	Illiquid	N/A
Subtotal	155,162,577						
Total investments	$ 1,017,609,155	$ 91,035,836	$ 31,930,488	$ 739,480,254	22		

The Cooper Union had $39,743,566 and $35,324,287 of non-exchange traded alternative investments that were subject to lock-up provisions as of June 30, 2023 and 2022, respectively. The remaining lock-up period of these assets ranges from 1 to 3 years. The Cooper Union's unfunded capital commitments approximated $14,027,000 and $11,174,000 as of June 30, 2023 and 2022, respectively.

The following tables present The Cooper Union's activity for the years ended June 30, 2023 and 2022 for investments measured at fair value on a recurring basis using unobservable inputs (Level 3):

	2023				
	Balance at June 30, 2022	Net Depreciation on Fair Value of Investments	Sales/ Redemptions	Purchases and Additions	Balance at June 30, 2023
Real estate and other	$ 739,480,254	$ (20,270,000)	$ -	$ -	$ 719,210,254

	2022				
	Balance at June 30, 2021	Net Appreciation on Fair Value of Investments	Sales/ Redemptions	Purchases and Additions	Balance at June 30, 2022
Real estate and other	$ 734,400,721	$ 5,079,533	$ -	$ -	$ 739,480,254

The Cooper Union recognizes transfers between levels of the fair value hierarchy at the beginning of the reporting period in which the date of the event or change in circumstances that caused the transfer occurs. There were no transfers amongst levels in fiscal 2023 or 2022.

Separately presented from investments, the Cooper Union also maintains a perpetual trust valued at $2,255,979 as of June 30, 2023. The following is a rollforward of the College's interest maintained in the perpetual trust which is classified as Level 3 within the fair value hierarchy:

Original value	$ 2,233,876
Unrealized gains	22,103
Fair value of perpetual trust at June 30, 2023	$ 2,255,979

NOTE C - REAL ESTATE INVESTMENTS

	2023	2022
Chrysler Building	$ 715,600,000	$ 735,600,000
51 Astor Place	2,170,000	2,340,000
22-36 Astor Place	1,380,000	1,480,000
Real estate investments	$ 719,150,000	$ 739,420,000

Chrysler Building

The Cooper Union owns the Chrysler Building at 405 Lexington Avenue in New York City. Legal title to both the land and building rests with The Cooper Union.

The Chrysler Building asset, which is included in investments at fair value, was valued at $715,000,000 and $735,000,000 as of June 30, 2023 and 2022, respectively. The fair value of the Chrysler Building asset is determined based on the net present value of anticipated future cash flows of rent derived from the lease agreement encumbering that property. The land under the Chrysler building has been valued at historical cost, determined on the date of gift and totals $600,000 as of June 30, 2023 and 2022.

In August 1999, The Cooper Union entered into a lease agreement, which is scheduled to expire on December 31, 2147, for the land under the Chrysler Building (together with the building erected thereon).

Under the terms of the lease agreement, annual rental income, which is recognized as real estate rental income within net investment return (Note B), includes:

- Base annual rentals of $7,750,000 through December 31, 2017 (see paragraph below for rentals derived thereafter).
- Additional rent through December 31, 2017 in an amount equal to 10% of the tenant's adjusted gross income that exceeds $50,000,000. Adjusted gross income is defined as gross receipts, less tenant's costs allocable to each period.
- An amount equivalent to the real estate taxes, which would be 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 and the existing tax rate then in effect. For the years ended June 30, 2023 and 2022, this tax equivalency payment totaled $17,928,764 and $19,251,450, respectively.

Contemporaneous with the October 2006 execution of the MetLife loan (further discussed in Note I), The Cooper Union entered into a modification of the Chrysler Building lease. In lieu of a rent reset based upon a percentage of the then fair value of the land, the amended terms fixed the base annual rent schedule for the period January 1, 2018 through December 31, 2047 as follows: from January 1, 2018 to December 31, 2027, $32,500,000; January 1, 2028 to December 31, 2037, $41,000,000; and January 1, 2038 to December 31, 2047, $55,000,000. As of January 1, 2048, and each 10-year anniversary thereafter, the base rent shall be adjusted based upon the fair value of the land considered as vacant and unimproved, and the assumption that a building of 1,194,000 square feet can be built and utilized only for the then current use of the land irrespective of whether such then current use of the land represents its "highest and best use." In no event shall the new rent be less than the basic rent per annum payable on the last day of the preceding period (i.e., $55,000,000).

The lessee of the Chrysler Building property has the right to sell or transfer its leasehold interest without the consent of The Cooper Union.

If the lessee were to default beyond applicable periods of notice and cure on its payments to The Cooper Union or fail to repair and maintain the Chrysler Building, as and to the extent required by the lease agreement, the lessee's leasehold interest in the Chrysler Building would terminate (subject to cure rights held by the lessee's leasehold mortgagee) and all surviving tenant rentals in the building would be payable to The Cooper Union.

At all times, the lessee of the Chrysler Building property shall keep the building insured against loss or damage by fire or other casualty and the proceeds of such insurance shall be held for application to the cost of restoring, repairing, replacing, or rebuilding the building.

If the property were to be destroyed, the lessee must repair or replace the building as nearly as possible to the condition, quality and class immediately prior to such casualty and the base rent and tax equivalency payment obligations continue.

51 Astor Place

The Cooper Union owns the land at 51 Astor Place in New York City. In December 2007, The Cooper Union entered into a long-term ground lease with a developer that expires in 2109. The developer demolished the then-existing structure and constructed a new 12-story building on the property. The ground lease was amended and restated in January 2008, and further amended in October 2009, July 2011, and January 2012. Legal title to both the land and the new building rests with The Cooper Union.

The recorded value is based on the net present value of the anticipated future value of the land after the current lease expires in 2109. Possession of the building reverts to The Cooper Union in 2109.

In connection with the 51 Astor Place lease, The Cooper Union received net proceeds resulting from a $96,970,000 financing transaction, representing the then present value of all base annual rent payable under the lease through its expiration. The proceeds were recorded as deferred revenue (Note H). Amortization of the deferred revenue is recorded as real estate rental income over the life of the lease.

22-36 Astor Place

The Cooper Union owns the land at 22-36 Astor Place (commonly known by the street address 26 Astor Place) in New York City. In December 2002, The Cooper Union entered into two related 99-year ground lease agreements, which expire in December 2101, for the land at that location. Under the terms of both leases, the lessee financed construction of a new building, and ownership of the building is held by The Cooper Union.

The recorded value is based on the net present value of the anticipated future value of the land after the current lease expires in 2101. Possession of the building reverts to The Cooper Union in 2101.

Under the terms of the 26 Astor Place lease agreements, The Cooper Union received rent of $11,000,000, which was recorded as deferred revenue (Note H). Amortization of the deferred revenue is recorded as real estate rental income over the life of the lease.

Under the terms of the lease agreements for both 51 Astor Place and 26 Astor Place, the developers (tenants) pay to The Cooper Union an amount equivalent to the real estate taxes payable on the real property (land and building) were it subject to taxation. Based on an agreement with New York City, beginning in October 2013, The Cooper Union is required to pay the city an amount equal to 50% of those tax equivalent payments, which totaled $6,368,830 and $5,593,336 for the years ended June 30, 2023 and 2022, respectively. The net amount is recognized as real estate rental income.

NOTE D - STUDENT REVENUES, NET

The College has various revenue streams from student enrollment and instruction. Revenue is generated through tuition, housing, and various fees associated with enrollment in the College and is recognized over time as the College provides the related goods and services. The College also provides various non-matriculated, non-degree programs of learning throughout the year which generate revenue.

Student revenues disaggregated by type of service provided are as follows:

	2023		
	Tuition and Fees	Housing	Total
Revenues	$ 45,870,084	$ 2,489,577	$ 48,359,661
Less: student aid	(32,228,914)	(221,459)	(32,450,373)
Revenues from student sources	$ 13,641,170	$ 2,268,118	$ 15,909,288

	2022		
	Tuition and Fees	Housing	Total
Revenues	$ 43,707,078	$ 2,123,995	$ 45,831,073
Less: student aid	(31,535,362)	(290,231)	(31,825,593)
Revenues from student sources	$ 12,171,716	$ 1,833,764	$ 14,005,480

The College awards student aid on the basis of total cost of attendance, including tuition and fees and housing. The College also waives the housing charges of some students who act as residential advisors, which totaled $124,000 and $120,384 for the years ending June 30, 2023 and 2022, respectively.

Deferred revenue relating to the College's performance obligation to transfer future enrollment, instructional and other services to students totaled $809,853 and $1,240,653 at June 30, 2023 and 2022, respectively, and is presented within the deferred revenue line of the accompanying consolidated balance sheets. For the year ended June 30, 2023, the College recognized revenue of $1,240,653 from amounts that were included in deferred revenue at the beginning of the year. The changes in deferred revenues were caused by normal timing differences between the satisfaction of performance obligations and customer payments.

The College has elected, as a practical expedient, not to disclose additional information about unsatisfied performance obligations for contracts with customers that have an expected duration of one year or less.

NOTE E - CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, as of June 30, 2023 and 2022 are scheduled to be collected as follows:

Year Ended June 30	2023	2022
Less than one year	$ 3,915,108	$ 4,215,804
One year to five years	3,647,800	360,130
Greater than five years	1,560,000	-
Contributions receivable, gross	9,122,908	4,575,934
Less: allowance for uncollectible contributions receivable	-	(98,965)
Adjustment to reflect contributions receivable at present value (rates ranging from 0.10%-3.61%)	(192,876)	(15,032)
Contributions receivable, net	$ 8,930,032	$ 4,461,937

NOTE F - PLANT ASSETS, NET

Plant assets, net, as of June 30, 2023 and 2022 consist of the following:

	2023	2022
Land	$ 150,000	$ 150,000
Buildings and building improvements	250,636,377	241,838,323
Software and equipment	40,883,529	39,701,522
Leasehold improvements	9,539,275	9,539,275
Plant assets, gross	301,209,181	291,229,120
Less: accumulated depreciation and amortization	(171,799,558)	(163,035,352)
	129,409,623	128,193,768
Construction-in-progress	-	2,788,925
Plant assets, net	$ 129,409,623	$ 130,982,693

Land consists solely of the property at the location of the Foundation Building commonly known by the street address 7 East 7th Street in New York City, reported at original value of $150,000 as of June 30, 2023 and 2022.

The land at 41 Cooper Square (41-55 Cooper Square) is leased from the City of New York and, therefore, is not included in plant assets. In 1987, the College exercised its right to renew the lease for a term that terminates on January 31, 2106.

Building and building improvements include the Foundation Building at 7 East 7th Street, the academic building at 41 Cooper Square, the President’s Residence (recorded at $2,073,440 and $1,052,931 at June 30, 2023 and 2022, respectively), and the residence hall built on the property leased at 29 Third Avenue in New York City.

Construction-in-progress at June 30, 2022 included the cost of work being performed on the façade of the Foundation Building to remedy deficiencies identified by a city inspection, as well as various renovation and upgrade projects. These projects were completed in the year ended June 30, 2023.

NOTE G - DEFINED CONTRIBUTION PLAN AND POSTRETIREMENT BENEFITS

The College provides a Section 403(b) defined-contribution plan and makes contributions on behalf of eligible employees. The expense for the plan for the years ended June 30, 2023 and 2022 amounted to $2,603,296 and $2,428,260, respectively.

The Cooper Union also provides medical insurance benefits for its retired employees through a defined benefit plan. The following provides information about the plan's funded status reconciled with the accrued postretirement benefit obligation reported on The Cooper Union's consolidated balance sheets as of June 30, 2023 and 2022:

	2023	2022
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 34,003,490	$ 44,528,484
Service cost	1,479,083	1,926,267
Interest cost	1,785,418	1,183,384
Actuarial loss (gain)	4,178,440	(12,276,305)
Benefits paid	(1,516,583)	(1,358,340)
Benefit obligation at end of year	39,929,848	34,003,490
Change in plan assets:		
Employer contribution	1,516,583	1,358,340
Benefits paid	(1,516,583)	(1,358,340)
Fair value of plan assets at end of year	-	-
Funded status	$ (39,929,848)	$ (34,003,490)

Cumulative amounts recognized in net assets without donor restrictions and not yet recognized in net periodic benefit cost as of June 30, 2023 and 2022 consist of:

	2023	2022
Prior service cost	$ (1,863,618)	$ (2,203,075)
Net actuarial (loss) gain	(1,152,947)	3,013,601
	$ (3,016,565)	$ 810,526

The following table provides the components of net periodic benefit cost for the plan for 2023 and 2022:

	2023	2022
Components of net periodic benefit cost		
Service cost	$ 1,479,083	$ 1,926,267
Interest cost	1,785,418	1,183,384
Amortization of prior service cost	339,457	339,457
Amortization of actuarial loss	11,892	236,066
Net periodic benefit cost	$ 3,615,850	$ 3,685,174

Amounts not recognized in changes in net assets without donor restrictions for the years ended June 30, 2023 and 2022 consist of:

	2023	2022
Net actuarial loss (gain)	$ 4,178,440	$ (12,276,305)
Amortization of prior service cost	(339,457)	(339,457)
Amortization of net loss	(11,892)	(236,066)
Amounts not yet recognized as a component of net periodic post-retirement cost	$ 3,827,091	$ (12,851,828)

The assumptions used in the measurement of the College's benefit obligation are shown in the following table:

	2023	2022
Discount rate	4.90%	4.40%
Rate of compensation increase	N/A	N/A

The assumptions used in the measurement of the net periodic benefit cost are shown in the following table:

	2023	2022
Discount rate	4.40%	2.80%
Rate of compensation increase	N/A	N/A

For measurement purposes, a 17.2% / 17.2% and 0.00% / 0.00% pre-Medicare/post-Medicare initial annual rate of increase in the per capita cost of covered healthcare benefits were assumed for the years ended June 30, 2023 and 2022, respectively. The initial annual rates for the year ended June 30, 2023 reflect the actual reported fiscal year ending 2024 premium equivalent rates. The June 30, 2023 rates were assumed to decrease to ultimate rates of 3.70% for both pre-Medicare and post-Medicare by 2073 and remain at that level thereafter. The June 30, 2022 rates were assumed to decrease to ultimate rates of 3.70% for both pre-Medicare and post-Medicare by 2073 and remain at that level thereafter.

The estimated net actuarial loss that will be amortized into net periodic benefit cost during fiscal 2024 is $0.

The projected premium payments (i.e., employer contributions, which are equal to benefits paid) in each fiscal year from 2024 through 2033 are as follows:

Years Ending June 30:	
2024	$ 1,783,968
2025	1,799,556
2026	1,877,493
2027	1,971,821
2028	2,005,084
2029 through 2033 (in aggregate)	11,153,928
Projected premium payments	$ 20,591,850

NOTE H - PREPAID EXPENSES AND OTHER ASSETS AND DEFERRED REVENUE

During the year ended June 30, 2008, in connection with the 99-year lease of 51 Astor Place (Note C), The Cooper Union borrowed $96,970,000 from an affiliate of the developer at a stated annual interest rate of 5.53% and a term expiring July 15, 2031. The loan is repayable solely out of rental payments due from the developer to the College under the ground lease. The loan is wholly nonrecourse to the College, which is held harmless if the developer defaults on the debt service payments. Upon delivery of possession to the developer, which occurred on July 10, 2009, the College reclassified the debt to deferred revenue as the College is held harmless if the developer defaults on the debt service payments and the College no longer has any obligation to make debt service payments. The deferred revenue is being amortized as rental income over the life of the 99-year lease. The balance of $83,257,071 and $84,236,566 is included in deferred revenue at June 30, 2023 and 2022, respectively. The College incurred $4,488,904 in costs associated with entering into this loan. These costs have been deferred and are being amortized over the life of the debt. Total remaining unamortized costs of $1,705,783 and $1,885,340 as of June 30, 2023 and 2022, respectively, net of accumulated amortization of $2,783,120 and $2,603,564 as of June 30, 2023 and 2022, respectively.

During the year ended June 30, 2004, under the terms of a 99-year lease of 26 Astor Place (further discussed in Note C), The Cooper Union received $11,000,000, which was recognized as deferred revenue. The deferred revenue is being amortized as rental income over the life of the lease. The unamortized balance of $8,755,102 and $8,867,347, net of accumulated amortization of $2,244,898 and $2,132,653 as of June 30, 2023 and 2022, respectively, is included in deferred revenue at June 30, 2023 and 2022, respectively. The College incurred $423,154 in costs associated with entering into this lease. These costs have been deferred and are being amortized over the life of the lease. Total remaining unamortized costs of $333,394 and $337,669 as of June 30, 2023 and 2022, respectively, net of accumulated amortization of $89,760 and $85,486 as of June 30, 2023 and 2022, respectively.

Prepaid expenses and other assets and deferred revenue as of June 30, 2023 and 2022 consist of the following:

	Prepaid Expenses and Other Assets		Deferred Revenue	
	2023	2022	2023	2022
26 Astor Place lease	$ 333,394	$ 337,669	$ 8,755,102	$ 8,867,347
51 Astor Place lease	1,705,783	1,885,340	83,257,071	84,236,566
Subtotal	2,039,177	2,223,009	92,012,173	93,103,913
Debt service reserve fund	2,697,960	2,702,960	-	-
Interest reserve fund	1,083,121	1,083,121	-	-
Funds held by trustee	3,781,081	3,786,081	-	-
Other items	1,348,192	1,831,595	12,143,046	7,932,853
	$ 7,168,450	$ 7,840,685	$ 104,155,219	$ 101,036,766

NOTE I - LONG-TERM LOANS, NET

In October 2006, the College entered into a $175,000,000 nonrecourse loan with Metropolitan Life Insurance Company (“MetLife”) to fund future operations, build a new academic building, and retire existing debt. The term of the loan is 30 years with an annual interest rate of 5.87%. The loan is secured by a first priority mortgage on the College’s fee interest in the Chrysler Building property and an assignment of all of the College’s rights to the payment of base rent, tax equivalency payments, and other sums due under the terms of the operating lease. The College incurred $6,325,057 of costs associated with entering into this loan, which have been deferred and are being amortized over the life of the debt. Total remaining unamortized debt issuance costs totaled $2,740,858 and $2,951,693 as of June 30, 2023 and 2022, respectively, net of amortization of $3,584,199 and $3,373,364 as of June 30, 2023 and 2022, respectively.

In June 2014, The Cooper Union signed a commitment letter with a private lender for the securitization of tax equivalency payments to be received in accordance with the lease of 51 Astor Place, resulting in a $58,760,000 loan which closed on August 27, 2014. Of the $58,760,000 in loan proceeds, $2,702,960 was deposited into a debt service reserve fund, $2,149,939 was deposited into an interest reserve fund (balance of $1,083,121 at June 30, 2023 and 2022), and $3,035,066 was used to pay costs associated with entering into the loan. In addition to the debt issuance costs paid from loan proceeds, the College paid $683,828 directly in 2014, for total debt issuance costs of $3,718,894, which are being amortized over the life of the loan. The unamortized balance of debt issuance costs totaled $2,045,392 and $2,231,337 as of June 30, 2023 and 2022, respectively, net of amortization of $1,673,502 and $1,487,557 as of June 30, 2023 and 2022, respectively. The term of the loan is 20 years with an annual interest rate of 4.60%. The lender has full recourse to the College in the event that the tax equivalency payments are not sufficient to pay the debt service.

Under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, the Department of Treasury implemented the Small Business Administration’s (“SBA”) Payroll Protection Program (“PPP”), which provides loans for businesses, nonprofits and other organizations with 500 or fewer employees that meet specific eligibility requirements. Under the CARES Act, SBA may forgive loans if beneficiary organizations meet the criteria determined by the SBA. On April 8, 2020, the College applied for the SBA’s PPP and was granted approval. The College received loan proceeds totaling $6,562,500 on April 10, 2020. The College accounted for the monies received as a loan payable until such time the conditions for recognition as revenue have been satisfied. On September 2, 2021, the SBA notified the College that its PPP loan had been forgiven.

The Cooper Union's projected debt service for the next five years, and in total thereafter, is as follows:

Years Ending June 30:	Principal	Interest	Total
2024	$ 7,384,182	$ 11,087,021	$ 18,471,203
2025	8,385,691	10,641,716	19,027,407
2026	9,521,017	10,130,108	19,651,125
2027	10,149,085	9,571,935	19,721,020
2028	10,862,977	8,977,076	19,840,053
2029 and thereafter (in aggregate)	158,634,674	42,503,505	201,138,179
	204,937,626	92,911,362	297,848,988
Less: unamortized loan issuance costs	(4,786,250)	-	(4,786,250)
Total	$ 200,151,376	$ 92,911,362	$ 293,062,738

Interest expense on all long-term debt totaled $11,473,031 and $11,870,963 for the years ended June 30, 2023 and 2022, respectively.

NOTE J - OPERATING LEASE COMMITMENTS

In 1989, The Cooper Union entered into an operating lease agreement expiring in 2038, as the lessee of property commonly known by the street address 29 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 2029. Rent and related expenses for this lease totaled $1,106,911 and $1,338,704 for the years ended June 30, 2023 and 2022, respectively. Sublease rental income for these leases totaled $212,934 and $1,461,979 for the years ended June 30, 2023 and 2022, respectively (however, an allowance for uncollectible accounts of $1,268,020 has been recorded for the year ended June 30, 2022 pertaining to outstanding rentals due).

The following is a schedule by year of future minimum rental payments and sublease rental income, including future rent escalations, for the 29 Third Avenue site as of June 30, 2023:

Year ending June 30:	Sublease Rental Income	Minimum Rental Payments
2024	$ 178,231	$ 1,010,000
2025	183,578	1,025,000
2026	189,085	1,040,000
2027	194,758	1,055,000
2028	200,601	1,070,000
2029 and thereafter (in aggregate)	206,619	11,423,333
Total future lease payments	$ 1,152,872	16,623,333
Less: imputed interest		(3,616,186)
Present value of lease liability		$ 13,007,147

In addition, The Cooper Union leases, under an operating lease agreement, office space at 30 Cooper Square in New York City. This operating lease originally commenced on July 1, 1992, and it was renewed on January 1, 2019. It will expire on December 31, 2028. Rent expense for this lease totaled $481,921 and $439,066 for the years ended June 30, 2023 and 2022, respectively.

The following is a schedule by year of future minimum rental payments due, including future rent escalations, for the 30 Cooper Square property as of June 30, 2023:

Year ending June 30:	Minimum Rental Payments
2024	$ 461,294
2025	472,826
2026	484,645
2027	496,761
2028	509,182
2029 and thereafter (in aggregate)	257,734
Total future lease payments	2,682,442
Less: imputed interest	(237,393)
Present value of lease liability	$ 2,445,049

Upon adoption, the College recognized $16,370,769 in operating lease right-of-use assets and operating lease liabilities for the agreements described above. There was no material impact to net assets.

	June 30, 2023
Operating lease right-of-use assets	$ 15,308,408
Operating lease liabilities	15,452,197
Operating lease cost	1,588,832
Cash paid for amounts included in the measurement	1,445,043
Weighted-average remaining lease term	13.4 Years
Weighted-average discount rate	3.3%

In addition, on May 6, 1987, The Cooper Union renewed its lease of the land at 41 Cooper Square from The City of New York, which was originally executed in 1908. The new 99-year lease covers the period February 1, 2007 through January 31, 2106, and the lease rate is $100 per year. The Cooper Union has interpreted the 1908 lease agreement and the City’s 1987 acknowledgement of continuation as allowing it to use the land for its educational purposes for what is effectively an indefinite period.

NOTE K - NET ASSETS

Net assets with donor restrictions as of June 30, 2023 and 2022 are available for the following purposes or periods:

	2023	2022
Purpose restrictions:		
Academic support	$ 621,955	$ 696,230
Student aid	4,467,791	2,886,674
Instruction and other	11,793,770	10,315,301
Time-restricted (contributions receivable)	3,514,655	3,320,017
	20,398,171	17,218,222
Donor-restricted endowment funds:		
Donated corpus (historical value)	111,551,123	100,862,394
Appreciation on real estate asset	715,000,000	735,000,000
Accumulated earnings on endowment, not yet appropriated for expenditure	80,967,902	75,571,688
Perpetual trust (restricted in perpetuity)	2,255,979	-
Total net assets with donor restrictions	$ 930,173,175	$ 928,652,304

The Cooper Union's endowment consists of approximately 500 donor-restricted individual funds established for a variety of purposes. There are no board-designated (quasi-endowment) funds.

The Cooper Union manages its long-term investments in accordance with the total return concept with the goal of maximizing long-term return within acceptable levels of risk. The Cooper Union's spending policy is designed to provide a stable level of financial support and to preserve the real value of its endowment.

The Cooper Union compares the performance of its investments against several benchmarks, including its asset allocation spending model policy index. In addition to the real estate income associated with the Chrysler building, the annual 2023 and 2022 spending authorizations from the endowment funds were calculated at 4% of the average fair value of the endowment over the previous five years ended June 30 unless an endowment fund's spending rate is specifically stipulated otherwise by a donor. Using the latest audited financial statements, the calculation is performed during the budgeting process and the withdrawal request is proposed to the Board of Trustees for approval for use in support of the subsequent year's budget.

The Cooper Union's management and investment of donor-restricted endowment funds has historically been subject to the provisions of the Uniform Management of Institutional Funds Act ("UMIFA") and the New York State Trust Laws. In 2006, the Uniform Law Commission approved the model act, the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which serves as a guideline for states to use in enacting legislation. Among UPMIFA's most significant changes was the elimination of UMIFA's important concept of the historical dollar value threshold, the amount below which an organization could not spend from the fund in favor of a more robust set of guidelines about what constitutes prudent spending.

The Cooper Union follows the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). In accordance with relevant accounting guidance and absent explicit donor stipulations to the contrary, management classifies as net assets with donor restrictions: (a) the original value of gifts donated to its donor-restricted endowment, (b) the original value of subsequent gifts to its donor-restricted endowment, and (c) accumulations to its donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Accumulated earnings of the donor-restricted endowment fund are classified in net assets with donor restrictions until such amounts are appropriated for expenditure by The Cooper Union in a manner consistent with the standard of prudence prescribed by NYPMIFA, and in accordance with the provisions set forth by FASB ASC Section 958-205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*.

Pursuant to the investment policy approved by the Board of Trustees, The Cooper Union has interpreted the law as allowing The Cooper Union to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as The Cooper Union deems prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument, absent explicit donor stipulations to the contrary.

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of permanent duration. In accordance with US GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no underwater endowments as of June 30, 2023 and 2022.

Changes in endowment net assets, excluding the value of the perpetual trust, for the years ended June 30, 2023 and 2022 are as follows:

	2023			
		With Donor Restrictions		
	Without Donor Restrictions	Accumulated Earnings	Historical Value	Total
Endowment net assets, June 30, 2022	$ -	$ 810,571,688	$ 100,862,395	$ 911,434,083
Net investment return (loss)	50,428,764	(8,287,854)	-	42,140,910
Contributions, net	-	-	10,923,728	10,923,728
Distributions	(50,428,764)	(6,315,932)	-	(56,744,696)
Reclassifications	-	-	(235,000)	(235,000)
Endowment net assets, June 30, 2023	$ -	$ 795,967,902	$ 111,551,123	$ 907,519,025

	2022			
		With Donor Restrictions		
	Without Donor Restrictions	Accumulated Earnings	Historical Value	Total
Endowment net assets, June 30, 2021	$ -	$ 824,609,599	$ 95,372,145	$ 919,981,744
Net investment return (loss)	51,751,852	(7,453,553)	-	44,298,299
Contributions, net	-	-	4,273,288	4,273,288
Distributions	(51,751,852)	(5,367,396)	-	(57,119,248)
Reclassifications	-	(1,216,962)	1,216,962	-
Endowment net assets, June 30, 2022	$ -	$ 810,571,688	$ 100,862,395	$ 911,434,083

The following table presents the composition of investment returns utilized in operations for the years ended June 30, 2023 and 2022:

	2023	2022
Endowment distributions from real estate investments	$ 50,428,764	$ 51,751,852
Endowment distributions pursuant to spending policy	6,315,932	5,367,396
Investment returns (loss) on non-endowed investments	12,457,511	(487,386)
Investment return utilized for operations	$ 69,202,207	$ 56,631,862

NOTE L - FUNCTIONAL EXPENSES

The consolidated statements of activities report certain categories of expenses that are attributable to one or more program or supporting functions of the College. These expenses include depreciation and amortization, interest, and facilities operations and maintenance. Depreciation and amortization and interest are allocated based on square footage, and facilities operations and maintenance expenses are allocated on usage of space.

The following tables present the College's expenses by functional and natural expense category for the years ended June 30, 2023 and 2022:

	2023							
	Instruction	Academic Support	Public Services	Student Services	Auxiliary Enterprises	Management and General	Fundraising	Total
Salaries	$ 12,561,425	$ 10,620,813	$ 1,173,120	$ 3,249,071	$ 105,698	$ 3,775,947	$ 1,171,886	$ 32,657,960
Employee benefits	6,384,970	4,018,892	373,156	1,695,680	53,223	1,733,275	607,902	14,867,098
Interest	5,753,663	4,342,392	188,699	275,750	252,829	549,179	110,519	11,473,031
Depreciation and amortization	4,261,272	3,248,998	243,333	128,990	482,741	242,824	156,048	8,764,206
Occupancy and other related expenses	2,160,638	1,677,410	196,639	419,945	22,218	1,892,690	71,818	6,441,358
Supplies, services and other office expenses	904,710	1,694,454	1,102,983	442,993	-	4,199,979	770,592	9,115,711
Other operating expenses	1,236,953	965,110	275,725	1,132,200	4,819	2,004,583	188,792	5,808,182
	$ 33,263,631	$ 26,568,069	$ 3,553,655	$ 7,344,629	$ 921,528	$ 14,398,477	$ 3,077,557	$ 89,127,546

	2022							
	Instruction	Academic Support	Public Services	Student Services	Auxiliary Enterprises	Management and General	Fundraising	Total
Salaries	$ 12,108,743	$ 9,365,898	$ 1,189,800	$ 2,926,485	$ 147,268	$ 3,592,793	$ 1,185,578	$ 30,516,565
Employee benefits	5,429,707	4,273,645	459,822	1,547,249	55,332	1,699,012	750,164	14,214,931
Interest	5,967,539	4,520,528	187,093	261,120	255,820	569,938	108,925	11,870,963
Depreciation and amortization	4,144,565	3,160,014	236,669	125,457	469,520	236,173	151,774	8,524,172
Occupancy and other related expenses	2,160,170	1,670,231	193,649	372,128	29,604	1,534,005	64,522	6,024,309
Supplies, services and other office expenses	1,305,240	2,192,833	865,903	604,759	18,053	4,211,371	573,681	9,771,840
Other operating expenses	972,156	947,476	216,961	852,858	1,232	2,378,440	85,024	5,454,147
	$ 32,088,120	$ 26,130,625	$ 3,349,897	$ 6,690,056	$ 976,829	$ 14,221,732	$ 2,919,668	$ 86,376,927

NOTE M - CONTINGENCIES

The Cooper Union is a defendant in various lawsuits arising from the normal conduct of its affairs. Management believes that the settlement, if any, of the litigation is either subject to insurance coverage or not expected to have a material adverse effect on the consolidated financial statements of The Cooper Union.

As discussed in Note A, The Cooper Union historically provided 100% tuition scholarships to undergraduate students. Starting with the class enrolling in September 2014, the institution began providing 50% tuition scholarships to all undergraduate students and additional aid to those students with financial need. It continues to provide 100% tuition scholarships to Pell-eligible students. Based on an interpretation of the institution's charter that it requires free tuition, a lawsuit was filed against The Cooper Union seeking to force the institution to return to 100% tuition scholarships for all undergraduate students. The lawsuit was settled in December 2015 with no impact on the consolidated financial statements. Under the settlement, The Cooper Union is allowed to continue its current scholarship model, but was required to make a good-faith effort to develop a plan by January 2018 to return to a sustainable, full-tuition scholarship model that maintains The Cooper Union's strong reputation for academic quality in its art, architecture and engineering programs at their historic levels of enrollment. On January 15, 2018, The Cooper Union submitted this plan, under the title "Recommended Plan to Return to Full-Tuition Scholarships," to the institution's Board of Trustees and the New York State Office of the Attorney General. The Board of Trustees reviewed the plan, amended it, and, on March 14, 2018, ratified the new plan.

NOTE N - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the College's available financial assets as of June 30:

	2023	2022
Financial assets as of June 30:		
Cash and cash equivalents	$ 21,226,720	$ 18,569,262
Contributions receivable, net	8,930,032	4,461,937
Other receivables	404,940	1,014,663
Investments, including perpetual trust	1,021,799,152	1,017,609,155
Funds held by trustee	3,781,081	3,786,081
Loans to students, net	106,266	375,051
	1,056,248,191	1,045,816,149
Less:		
Amounts unavailable for general expenditures within one year:		
Restricted by donors with purpose restrictions	16,883,516	13,898,204
Restricted by donors in perpetuity	111,551,123	100,862,394
Accumulated endowment earnings subject to appropriation pursuant to Board spending policy	74,509,540	69,255,756
Real estate asset restricted as endowment	715,000,000	735,000,000
Split-interest agreement assets	5,971,413	5,903,686
Perpetual trust	2,255,979	-
Funds restricted by lender	3,781,081	3,786,081
Other receivables due to be collected beyond one year	59,750	56,929
Loans to students receivable due to be collected beyond one year	105,203	374,676
Contributions receivable due in greater than one year	235,800	68,330
Total amounts unavailable due to donor restrictions or law	930,353,405	929,206,056
Total financial assets available to management for general expenditure within one year	$ 125,894,786	$ 116,610,093

Amounts unavailable include funds subject to contractual or donor-imposed restrictions, and income from endowments restricted by donors for specific purposes. However, amounts already appropriated from the endowment for general expenditure within one year of the consolidated statement of financial position date ($6,458,362 and $6,315,932 for the years ended June 30, 2023 and 2022, respectively) have not been subtracted as unavailable.

As part of the College's liquidity management, it invests cash in excess of daily requirements in short-term investments through a money market account. The Board regularly reviews management's plans to maintain sufficient financial assets to cover general expenditures and to meet obligations as they become due.

NOTE O - RELATED PARTY TRANSACTIONS

Members of Cooper Union's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with entities doing business with the institution. Cooper Union's conflict of interest policy requires, among other things, that no member of the Board of Trustees or its committees participate in any decision in which they (or an immediate family member) have a material financial interest. Moreover, the Cooper Union requires an annual disclosure of potential conflicts of interest and, in response to any matters reported, measures are taken to address the actual or perceived conflict to protect the best interests of the institution and ensure compliance with the conflict of interest policy and relevant laws. The Cooper Union has no material related party transactions to disclose for the years ended June 30, 2023 and 2022.