Consolidated Financial Statements and Report of Independent Certified Public Accountants

The Cooper Union for the Advancement of Science and Art

June 30, 2021 and 2020

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying 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, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the consolidated financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Cooper Union for the Advancement of Science and Art and its affiliates as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
December 22, 2021

The Cooper Union for the Advancement of Science and Art

CONSOLIDATED BALANCE SHEETS

As of June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	$ 38,899,434	$ 39,574,445
Other receivables, net	1,822,858	1,796,775
Contributions receivable, net (Note E)	5,232,319	3,291,955
Loans to students, net of allowance for doubtful loans of $34,238 in 2021 and 2020	386,262	386,670
Prepaid expenses and other assets (Note H)	1,752,120	1,676,995
Funds held by trustee (Notes B, H and I)	3,786,081	3,786,081
Lease issuance costs (Note H)	2,406,838	2,590,668
Investments (Notes B and C)	1,006,402,217	926,897,735
Plant assets, net (Note F)	133,019,176	137,498,731
Total assets	$1,193,707,305	$1,117,500,055
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 8,732,221	$ 7,168,090
Accrued interest on long-term loans	2,020,105	2,050,406
Liability under charitable trusts and annuity agreements	4,294,114	4,849,578
Accrued postretirement benefit obligation (Note G)	44,528,484	28,782,206
Deferred revenue (Note H)	100,715,984	101,277,407
Long-term loans, net (Note I)	219,452,631	225,250,399
Total liabilities	379,743,539	369,378,086
Commitments and contingencies (Notes I, J and M)		
NET (DEFICIT) ASSETS (Note K)		
Without donor restrictions	(127,488,629)	(139,095,557)
With donor restrictions:		
Restricted as to purpose or time	846,080,250	793,939,306
Restricted in perpetuity	95,372,145	93,278,220
	941,452,395	887,217,526
Total net assets	813,963,766	748,121,969
Total liabilities and net assets	$1,193,707,305	$1,117,500,055

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, 2021, with comparative totals for the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2021	2020
Operations				
Revenues and other support:				
Investment return utilized for operations (Notes B and K)	$ 76,815,924	$ -	$ 76,815,924	$ 64,125,049
Student revenues, net (Note D)	12,602,052	-	12,602,052	15,066,671
Contributions	5,317,605	6,348,633	11,666,238	5,603,758
Government grants, contracts, and appropriations	1,715,978	-	1,715,978	1,077,129
Rental income (Notes H and J)	2,994,654	-	2,994,654	3,228,118
Other revenue	607,510	-	607,510	888,013
Net assets released from restrictions	3,168,228	(3,168,228)	-	-
Total revenues and other support	103,221,951	3,180,405	106,402,356	89,988,738
Expenses (Note L):				
Salaries	28,600,502	-	28,600,502	29,804,018
Employee benefits	14,133,113	-	14,133,113	11,525,915
Interest (Note I)	12,246,355	-	12,246,355	12,600,396
Depreciation and amortization	8,484,628	-	8,484,628	8,790,362
Occupancy and other related expenses	5,669,329	-	5,669,329	5,089,674
Supplies, services, and other office expenses	6,917,976	-	6,917,976	7,746,901
Other operating expenses	5,136,182	-	5,136,182	4,507,037
Total expenses	81,188,085	-	81,188,085	80,064,303
Excess of operating revenues over operating expenses, before nonoperating activities	22,033,866	3,180,405	25,214,271	9,924,435
Nonoperating activities				
Net investment return (Note B)	72,133,369	56,124,036	128,257,405	72,064,015
Net investment return utilized in operations (Notes B and K)	(72,133,369)	(4,682,555)	(76,815,924)	(64,125,049)
Contributions for endowment	-	2,153,925	2,153,925	1,476,055
Net assets released from restrictions for capital and other reclassifications (Note K)	2,540,942	(2,540,942)	-	-
Amounts not yet recognized as a component of net periodic postretirement cost (Note G)	(12,967,880)	-	(12,967,880)	(5,985,125)
Gain on insurance recoveries (Note F)	-	-	-	2,034,393
Change in net assets	11,606,928	54,234,869	65,841,797	15,388,724
Net (deficit) assets at beginning of year	(139,095,557)	887,217,526	748,121,969	732,733,245
Net (deficit) assets at end of year	$ (127,488,629)	$ 941,452,395	$ 813,963,766	$ 748,121,969

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, 2020

	Without Donor Restrictions	With Donor Restrictions	2020
Operations			
Revenues and other support:			
Investment return utilized for operations (Notes B and K)	$ 64,125,049	$ -	$ 64,125,049
Student revenues, net (Note D)	15,066,671	-	15,066,671
Contributions	4,460,292	1,143,466	5,603,758
Government grants, contracts, and appropriations	1,077,129	-	1,077,129
Rental income (Notes H and J)	3,228,118	-	3,228,118
Other revenue	888,013	-	888,013
Net assets released from restrictions	2,921,960	(2,921,960)	-
Total revenues and other support	91,767,232	(1,778,494)	89,988,738
Expenses (Note L):			
Salaries	29,804,018	-	29,804,018
Employee benefits	11,525,915	-	11,525,915
Interest (Note I)	12,600,396	-	12,600,396
Depreciation and amortization	8,790,362	-	8,790,362
Occupancy and other related expenses	5,089,674	-	5,089,674
Supplies, services, and other office expenses	7,746,901	-	7,746,901
Other operating expenses	4,507,037	-	4,507,037
Total expenses	80,064,303	-	80,064,303
Excess (deficiency) of operating revenues over operating expenses, before nonoperating activities	11,702,929	(1,778,494)	9,924,435
Nonoperating activities			
Net investment return (Note B)	59,726,947	12,337,068	72,064,015
Net investment return utilized in operations (Notes B and K)	(59,726,947)	(4,398,102)	(64,125,049)
Contributions for endowment	-	1,476,055	1,476,055
Net assets released from restrictions for capital and other reclassifications (Note K)	101,116	(101,116)	-
Amounts not yet recognized as a component of net periodic postretirement cost (Note G)	(5,985,125)	-	(5,985,125)
Gain on insurance recoveries (Note F)	2,034,393	-	2,034,393
Change in net assets	7,853,313	7,535,411	15,388,724
Net (deficit) assets at beginning of year	(146,948,870)	879,682,115	732,733,245
Net (deficit) assets at end of year	$ (139,095,557)	$ 887,217,526	$ 748,121,969

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, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Changes in net assets	$ 65,841,797	$ 15,388,724
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,484,628	8,790,362
Amortization of deferred issuance costs	580,609	580,612
Net unrealized and realized gains on investments	(69,812,989)	(12,409,054)
Change in value of split-interest agreements	(240,497)	363,312
Contributions for donor-restricted endowment	(2,153,925)	(1,476,055)
Disposal of building improvements	-	2,196,220
Changes in assets and liabilities:		
Contributions receivable, net of amounts classified as financing activities	(1,940,364)	3,210,364
Other receivables	(26,083)	809,805
Prepaid expenses and other assets	(75,125)	(182,718)
Accounts payable and accrued expenses	1,533,830	(2,267,054)
Deferred revenue	(561,423)	(6,662,061)
Accrued postretirement benefit obligation	15,746,278	6,693,045
Net cash provided by operating activities	17,376,736	15,035,502
Cash flows from investing activities:		
Purchases of investments	(77,524,859)	(18,075,336)
Proceeds from sales of investments	67,833,366	8,936,775
Collection of loans from students	408	1,118
Capital expenditures	(4,005,073)	(5,986,739)
Net cash used in investing activities	(13,696,158)	(15,124,182)
Cash flows from financing activities:		
Contributions for donor-restricted endowment	2,153,925	1,476,055
Proceeds of new loans	-	6,562,500
Principal payments on loans	(6,194,547)	(5,842,230)
Proceeds of new charitable gift annuities	210,761	18,845
Payments to beneficiaries under charitable annuities	(525,728)	(454,273)
Net cash (used in) provided by financing activities	(4,355,589)	1,760,897
Net (decrease) increase in cash, cash equivalents, and restricted cash	(675,011)	1,672,217
Cash, cash equivalents, and restricted cash at beginning of year	43,360,526	41,688,309
Cash, cash equivalents, and restricted cash at end of year	$ 42,685,515	$ 43,360,526
Supplemental cash flow information:		
Cash paid during the year for interest	$ 12,276,656	$ 12,628,974

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, 2021 and 2020.

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 2021 and 2020 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. The College meets those criteria as currently defined and, as a result, has made provisions for the tax of $1,050,000 and $900,000 in its 2021 and 2020 consolidated financial statements, respectively. The excise tax has been recognized as a reduction of the College's investment return.

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.

	2021	2020
Cash and cash equivalents	$ 38,899,434	$ 39,574,445
Funds held by trustee (restricted cash)	3,786,081	3,786,081
Total cash and restricted cash shown on the consolidated statements of cash flows	$ 42,685,515	$ 43,360,526

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

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") Accounting Standards Codification ("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 the adoption of ASC 606. The College recognizes contracts with customers as goods or services are transferred or provided in accordance with ASC 606.

The results of applying ASC 606 using the modified retrospective approach did not have a material impact on the financial position, changes in net assets, cash flows, business processes, controls or systems of the College.

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.

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, 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 because of 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 sheets. 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, 2021 and 2020 ranged each year from 0.6% to 8.4%. State-mandated insurance reserves related to charitable gift annuity agreements are maintained at the required level.

Nonoperating Activities

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

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations 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. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. In October 2019, the FASB approved a proposal to defer the effective date of ASU 2016-02 by one year. Furthermore, in June 2020, the FASB issued ASU No. 2020-05, which deferred the effective date of ASU 2016-02 for not-for-profit entities by an additional year. Therefore, the guidance is effective for the College’s fiscal year 2023. Early adoption is permitted. The College is in the process of evaluating the impact this standard will have on its consolidated financial statements.

Subsequent Events

The College evaluated its June 30, 2021 consolidated financial statements for subsequent events through December 22, 2021, the date the consolidated financial statements were available for issuance. Except as disclosed in Note I, 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.

Also included in investments are charitable trusts and gift annuities amounting to $8,378,970 and $6,987,090 as of June 30, 2021 and 2020, respectively. The Cooper Union's liability under these charitable trusts and gift annuities totaled $4,294,114 and $4,849,578 as of June 30, 2021 and 2020, 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, 2021 and 2020 follows:

	2021	2020
Real estate rental income, net (Note C)	$ 59,354,613	$ 59,165,174
Interest and dividends	2,148,260	2,415,329
Unrealized (losses) gains on real estate investments	(30,000)	9,830,000
Unrealized gains (losses) on other investments	54,182,089	(92,601)
Realized gains on investments	15,660,900	2,404,430
Investment expenses	(3,058,457)	(1,658,317)
Net investment return	$ 128,257,405	$ 72,064,015
Investment returns classified amongst net assets as follows:		
With donor restrictions	$ 51,441,481	$ 7,938,966
Amounts without donor restrictions utilized for operations	76,815,924	64,125,049
Net investment return	$ 128,257,405	$ 72,064,015

Amounts without donor restrictions utilized for operations consists 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, 2021 and 2020 follows:

	2021	2020
Endowment (inclusive of Chrysler Building value of $730,600,000)	$ 919,981,744	$ 867,509,372
Investments relating to charitable trusts and gift annuities	8,378,970	6,987,090
Real estate investments other than Chrysler Building	3,740,000	3,770,000
Other non-endowment-related investments	74,301,503	48,631,273
Total investments	$1,006,402,217	$ 926,897,735

The following tables present The Cooper Union's fair value hierarchy for investments as of June 30, 2021 and 2020. 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:

	2021 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 $13,289	$ 1,958,398	$ 1,958,398	$ -	$ -			
Corporate bonds	16,839,550	-	16,839,550	-			
Equity securities:							
U.S. equity	46,262,278	46,262,278	-	-			
International equity	54,447,258	54,447,258	-	-			
Mutual funds	11,993,510	11,993,510	-	-			
Real estate	734,340,000	-	-	734,340,000			
Other	60,721	-	-	60,721			
Subtotal	865,901,715	114,661,444	16,839,550	734,400,721			
Investments valued at NAV:							
Hedge funds:							
Long/short equity	19,149,635	-	-	-	3	Quarterly	30
Absolute return	12,897,314	-	-	-	1	Quarterly	45
Absolute return	8,886,249	-	-	-	1	Quarterly	65
Global equity	21,516,649	-	-	-	1	Weekly	3
Limited partnerships:							
Global equity	15,546,075	-	-	-	1	Monthly	6
Absolute return	9,492,938	-	-	-	1	Quarterly	65
Absolute return	63,312				1	Annually	45
Venture capital funds	14,335,808	-	-	-	2	Illiquid	N/A
Growth-stage internet and mobile companies	13,815,475	-	-	-	3	Illiquid	N/A
Limited partnerships	24,797,047	-	-	-	8	Illiquid	N/A
Total investments	$ 1,006,402,217	$ 114,661,444	$ 16,839,550	$ 734,400,721	22		

	2020 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 $6,364	$ 1,763,421	$ 1,763,421	$ -	$ -			
Corporate bonds	16,396,780	-	16,396,780	-			
Equity securities:							
U.S. equity	38,542,075	38,542,075	-	-			
International equity	16,069,077	16,069,077	-	-			
Mutual funds	30,720,290	30,720,290	-	-			
Real estate	734,370,000	-	-	734,370,000			
Other	60,721	-	-	60,721			
Subtotal	837,922,364	87,094,863	16,396,780	734,430,721			
Investments valued at NAV:							
Hedge funds:							
Long/short equity	7,950,943	-	-	-	2	Quarterly	30
Absolute return	11,150,325	-	-	-	1	Quarterly	45
Absolute return	7,533,304	-	-	-	1	Quarterly	65
Global equity	8,270,287	-	-	-	1	Weekly	3
Funds of funds:							
Absolute return	2,436,925	-	-	-	1	Quarterly	60-90
Limited partnerships:							
Global equity	11,498,417	-	-	-	1	Monthly	6
Absolute return	7,734,893	-	-	-	1	Quarterly	65
Absolute return	51,977	-	-	-	1	Annually	45
Venture capital funds	10,333,236	-	-	-	2	Illiquid	N/A
Growth-stage internet and mobile companies	8,121,004	-	-	-	3	Illiquid	N/A
Limited partnerships	13,819,920	-	-	-	8	Illiquid	N/A
Portfolio companies	74,140	-	-	-	1	Illiquid	N/A
Total investments	$ 926,897,735	$ 87,094,863	$ 16,396,780	$ 734,430,721	23		

The Cooper Union had $37,053,585 and $23,261,382 of non-exchange traded alternative investments that were subject to lock-up provisions as of June 30, 2021 and 2020, respectively. The remaining lock-up period of these assets ranges from 2 to 8 years. The Cooper Union's unfunded capital commitments approximated $10,545,000 and $13,200,000 as of June 30, 2021 and 2020, respectively.

The following tables present The Cooper Union's activity for the years ended June 30, 2021 and 2020 for investments measured at fair value on a recurring basis using unobservable inputs (Level 3):

	2021				
	Balance at June 30, 2020	Net Depreciation on Fair Value of Investments	Sales/ Redemptions	Purchases and Additions	Balance at June 30, 2021
Real estate and other	$ 734,430,721	$ (30,000)	$ -	$ -	$ 734,400,721

	2020				
	Balance at June 30, 2019	Net Appreciation in Fair Value of Investments	Sales/ Redemptions	Purchases and Additions	Balance at June 30, 2020
Real estate and other	$ 724,638,656	$ 9,830,000	$ (37,935)	$ -	$ 734,430,721

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 2021 or 2020.

NOTE C - REAL ESTATE INVESTMENTS

	2021	2020
Chrysler Building	$ 730,600,000	$ 730,600,000
51 Astor Place	2,290,000	2,300,000
22-36 Astor Place	1,450,000	1,470,000
Real estate investments	$ 734,340,000	$ 734,370,000

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 $730,000,000 as of June 30, 2021 and 2020. The fair value of the Chrysler Building asset is determined based on the net present value of 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, 2021 and 2020.

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, 2021 and 2020, this tax equivalency payment totaled $20,960,240 and $21,265,141, respectively.

Contemporaneous with the October 2006 execution of the MetLife loan (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 $5,870,027 and $5,306,614 for the years ended June 30, 2021 and 2020, 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:

	2021		
	Tuition and Fees	Housing	Total
Revenues	$ 40,729,944	$ 848,245	$ 41,578,189
Less: student aid	(28,878,332)	(97,805)	(28,976,137)
Revenues from student sources	$ 11,851,612	$ 750,440	$ 12,602,052

	2020		
	Tuition and Fees	Housing	Total
Revenues	$ 42,881,093	$ 1,759,377	$ 44,640,470
Less: student aid	(29,389,879)	(183,920)	(29,573,799)
Revenues from student sources	$ 13,491,214	$ 1,575,457	$ 15,066,671

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 $46,935 in the fiscal years ending June 30, 2021 and 2020.

Deferred revenue relating to the College's performance obligation to transfer future enrollment, instructional and other services to students totaled $1,434,216 and $1,154,691 at June 30, 2021 and 2020, respectively, and is presented within the deferred revenue line of the accompanying consolidated statements of financial position. For the year ended June 30, 2021, the College recognized revenue of $1,154,691 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, 2021 and 2020 are scheduled to be collected as follows:

	2021	2020
Year ended June 30		
Less than one year	$ 4,682,920	$ 1,911,173
One year to three years	823,640	1,591,712
Contributions receivable, gross	5,506,560	3,502,885
Less: Allowance for uncollectible contributions receivable	(242,981)	(127,426)
Adjustment to reflect contributions receivable at present value (rates ranging from 0.08%-5.02%)	(31,260)	(83,504)
Contributions receivable, net	$ 5,232,319	$ 3,291,955

NOTE F - PLANT ASSETS, NET

Plant assets, net, as of June 30, 2021 and 2020 consist of the following:

	2021	2020
Land	$ 150,000	$ 150,000
Buildings and building improvements	238,502,577	236,362,836
Software and equipment	38,294,513	37,320,899
Leasehold improvements	9,539,275	9,539,275
Plant assets, gross	286,486,365	283,373,010
Less: Accumulated depreciation and amortization	(154,513,064)	(146,028,436)
	131,973,301	137,344,574
Construction-in-progress	1,045,875	154,157
Plant assets, net	$ 133,019,176	$ 137,498,731

Land consists solely of the property at the location of the Foundation Building on 7 East 7th Street in New York City, reported at original value of $150,000 as of June 30, 2021 and 2020.

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 $1,232,684 and $1,368,547 at June 30, 2021 and 2020, which was subject to a gift annuity agreement with a liability of $0 and $888,334 at June 30, 2021 and 2020, respectively), and the residence hall built on the property leased at 29 Third Avenue in New York City.

Construction-in-progress includes the cost of work being done in 41 Cooper Square to create an interdisciplinary collaborative workspace for students and a one-stop location for student services, as well as work being done on the façade of the Foundation Building to remedy deficiencies identified by a recent city inspection.

On February 2, 2019, extreme water leakage from a ruptured pipe in the 41 Cooper Square building caused extensive property damage. The College recognized a gain from insurance recoveries of $2,034,393 in the 2020 consolidated statement of activities.

NOTE G - PENSION PLAN AND POSTRETIREMENT BENEFITS

A noncontributory, defined contribution, and annuity pension plan is available to all eligible employees who have met stipulated length of service and age requirements. The expense for the plan for the years ended June 30, 2021 and 2020 amounted to $2,292,873 and $2,434,831, 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, 2021 and 2020:

	2021	2020
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 28,782,206	$ 22,089,161
Service cost	2,216,844	886,574
Interest cost	1,070,191	832,359
Plan amendments	2,881,989	-
Actuarial loss	10,746,623	5,831,898
Benefits paid	(1,169,369)	(857,786)
Benefit obligation at end of year	44,528,484	28,782,206
Change in plan assets:		
Employer contribution	1,169,369	857,786
Benefits paid	(1,169,369)	(857,786)
Fair value of plan assets at end of year	-	-
Funded status	$ (44,528,484)	$ (28,782,206)

Cumulative amounts recognized in net assets without donor restrictions and not yet recognized in net periodic benefit cost as of June 30, 2021 and 2020 consist of:

	2021	2020
Prior service cost	$ (2,542,532)	$ -
Net actuarial (loss) gain	(9,498,770)	926,578
	$ (12,041,302)	$ 926,578

The following table provides the components of net periodic benefit cost for the plan for 2021 and 2020:

	2021	2020
Components of net periodic benefit cost		
Service cost	$ 2,216,844	$ 886,574
Interest cost	1,070,191	832,359
Amortization of prior service cost	339,457	-
Amortization of actuarial loss (gain)	321,275	(151,227)
Net periodic benefit cost	$ 3,947,767	$ 1,565,706

Amounts not recognized in changes in net assets without donor restrictions for the years ended June 30, 2021 and 2020 consist of:

	2021	2020
Net actuarial loss	$ 10,746,623	$ 5,831,898
Prior service cost	2,881,989	-
Amortization of prior service cost	(339,457)	-
Amortization of net (loss) gain	(321,275)	153,227
Amounts not recognized as a component of net periodic benefit cost	$ 12,967,880	$ 5,985,125

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

	2021	2020
Discount rate	2.80%	2.60%
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:

	2021	2020
Discount rate	2.60%	3.50%
Rate of compensation increase	N/A	N/A

For measurement purposes, 15.80%/15.80% and 15.00%/15.00% pre-Medicare/post-Medicare annual rate of increase in the per capita cost of covered healthcare benefits were assumed for the years ended June 30, 2021 and 2020, respectively. The rates for the year ended June 30, 2021 reflect the actual reported 2022 premium equivalent rates. The 2021 rates were assumed to decrease to ultimate rates of 3.70% for both pre-Medicare and post-Medicare by 2074 and remain at that level thereafter. The 2020 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.

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

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 933,958	$ (690,865)
Effect on accrued postretirement benefit obligation	9,512,629	(7,322,062)

The estimated net actuarial loss that will be amortized into net periodic benefit cost during fiscal 2022 is $0.

The projected premium payments (i.e., employer contributions, which are equal to benefits paid) in each fiscal year from 2022 through 2031 are as follows:

Year ending June 30:	
2022	$ 1,329,777
2023	1,389,231
2024	1,460,448
2025	1,467,723
2026	1,517,875
2027 through 2031 (in aggregate)	8,482,260
Projected premium payments	$ 15,647,314

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 $85,216,061 and $86,195,556 is included in deferred revenue at June 30, 2021 and 2020, 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 $2,064,896 and $2,244,452 as of June 30, 2021 and 2020, respectively, net of accumulated amortization of $2,424,008 and $2,244,452 as of June 30, 2021 and 2020, 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 $8,979,592 and $9,091,836, net of accumulated amortization of $2,020,408 and $1,908,164 as of June 30, 2021 and 2020, respectively, is included in deferred revenue at June 30, 2021 and 2020, 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 $341,942 and $346,216 as of June 30, 2021 and 2020, respectively, net of accumulated amortization of $81,212 and $76,938 as of June 30, 2021 and 2020, respectively.

Prepaid expenses and other assets and deferred revenue as of June 30, 2021 and 2020 consist of the following:

	Prepaid Expenses and Other Assets		Deferred Revenue	
	2021	2020	2021	2020
26 Astor Place lease	$ 341,942	$ 346,216	$ 8,979,592	$ 9,091,836
51 Astor Place lease	2,064,896	2,244,452	85,216,061	86,195,556
Lease issuance costs	2,406,838	2,590,668	94,195,653	95,287,392
Debt service reserve fund	2,702,960	2,702,960	-	-
Interest reserve fund	1,083,121	1,083,121	-	-
Funds held by trustee	3,786,081	3,786,081	-	-
Other items	1,752,120	1,676,995	6,520,331	5,339,575
	$ 7,945,039	$ 8,053,744	$ 100,715,984	$ 100,626,967

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 $3,162,529 and $3,373,364 as of June 30, 2021 and 2020, respectively, net of amortization of $3,162,528 and $2,951,693 as of June 30, 2021 and 2020, 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, 2021 and 2020), 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 $2,417,282 and $2,603,226 as of June 30, 2021 and 2020, respectively, net of amortization of $1,301,612 and $1,115,669 as of June 30, 2021 and 2020, 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:

	Principal	Interest	Total
Year ending June 30:			
2022	$ 6,568,111	$ 11,903,092	$ 18,471,203
2023	6,964,203	11,507,000	18,471,203
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 and thereafter (in aggregate)	179,646,737	61,052,516	240,699,253
	218,469,941	116,321,453	334,791,394
Less: Unamortized loan issuance costs	(5,579,810)	-	(5,579,810)
Total	$ 212,890,131	$ 116,321,453	$ 329,211,584

Interest expense on all long-term debt totaled $12,246,355 and $12,600,396 for the years ended June 30, 2021 and 2020, 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 at 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 2038. Rent and related expenses for this lease totaled $1,436,501 and $1,513,724 for the years ended June 30, 2021 and 2020, respectively. Sublease rental income for these leases totaled $1,837,914 and $1,721,551 for the years ended June 30, 2021 and 2020, respectively, but allowances for uncollectible accounts of $1,487,111 and $478,956 were made for the years ended June 30, 2021 and 2020, respectively.

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, 2021:

	Sublease Rental Income	Minimum Rental Payments
Year ending June 30:		
2022	$ 1,698,675	$ 980,000
2023	1,548,069	995,000
2024	537,428	1,010,000
2025	183,578	1,025,000
2026	189,085	1,040,000
2027 and thereafter (in aggregate)	601,978	13,548,333

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 $423,197 and $412,750 for the years ended June 30, 2021 and 2020, 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, 2021:

	Minimum Rental Payments
Year ending June 30:	
2022	$ 439,066
2023	450,043
2024	461,294
2025	472,826
2026	484,645
2027 and thereafter (in aggregate)	1,263,678

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.

The operating lease commitments are not recognized as liabilities on the consolidated financial statements.

NOTE K - NET ASSETS

Net assets with donor restrictions as of June 30, 2021 and 2020 are available for the following purposes or periods:

	2021	2020
Purpose restrictions:		
Academic support	$ 820,163	$ 864,023
Student aid	3,160,289	2,796,789
Instruction and other	12,918,947	12,534,125
Time-restricted	4,571,252	3,513,217
	21,470,651	19,708,154
Donor-restricted endowment funds:		
Donated corpus (historical value)	95,372,145	93,278,220
Appreciation on real estate asset	730,000,000	730,000,000
Accumulated earnings on endowment, not yet appropriated for expenditure	94,609,599	44,231,152
	919,981,744	867,509,372
Total net assets with donor restrictions	$ 941,452,395	$ 887,217,526

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 2021 and 2020 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, 2021 and 2020.

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	2021			
		With Donor Restrictions		
	Without Donor Restrictions	Accumulated Earnings	Historical Value	Total
Endowment net assets, June 30, 2020	$ -	$ 774,231,152	$ 93,278,220	$ 867,509,372
Net investment return	53,465,982	55,066,002	-	108,531,984
Contributions, net	-	-	2,153,925	2,153,925
Distributions	(53,465,982)	(4,682,555)	-	(58,148,537)
Reclassifications	-	(5,000)	(60,000)	(65,000)
Endowment net assets, June 30, 2021	$ -	$ 824,609,599	$ 95,372,145	$ 919,981,744

	2020			
		With Donor Restrictions		
	Without Donor Restrictions	Accumulated Earnings	Historical Value	Total
Endowment net assets, June 30, 2019	$ -	$ 766,076,492	$ 91,802,165	$ 857,878,657
Net investment return	53,809,463	12,527,945	-	66,337,408
Contributions, net	-	-	1,476,055	1,476,055
Distributions	(53,809,463)	(4,398,102)	-	(58,207,565)
Reclassifications	-	24,817	-	24,817
Endowment net assets, June 30, 2020	$ -	$ 774,231,152	$ 93,278,220	$ 867,509,372

The following table presents the composition of investment returns utilized in operations for the years ended June 30, 2021 and 2020:

	2021	2020
Endowment distributions	$ 58,148,537	$ 58,207,565
Investment returns on non-endowed investments	18,667,387	5,917,484
Investment return utilized for operations	$ 76,815,924	$ 64,125,049

NOTE L - FUNCTIONAL EXPENSES

The consolidated financial statements 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, 2021 and 2020:

2021	Instruction	Academic Support	Public Services	Student Services	Auxiliary Enterprises	Management and General	Fundraising	Total
Salaries	$ 11,349,918	$ 8,563,721	$ 1,097,739	$ 2,793,988	$ 73,506	$ 3,432,482	$ 1,289,148	$ 28,600,502
Employee benefits	3,952,079	5,575,128	535,732	1,479,175	41,156	1,735,501	814,342	14,133,113
Interest	6,126,255	4,713,318	185,526	270,601	262,826	572,053	115,776	12,246,355
Depreciation and amortization	4,125,338	3,145,355	235,571	124,875	467,342	235,077	151,070	8,484,628
Occupancy and other related expenses	1,861,181	1,443,116	166,664	448,920	41,778	1,634,250	73,420	5,669,329
Supplies, services and other office expenses	1,063,786	1,674,749	642,329	472,728	6,192	2,733,349	324,843	6,917,976
Other operating expenses	695,060	799,598	128,292	805,608	717	2,571,999	134,908	5,136,182
	$ 29,173,617	$ 25,914,985	$ 2,991,853	$ 6,395,895	$ 893,517	$ 12,914,711	$ 2,903,507	$ 81,188,085

2020	Instruction	Academic Support	Public Services	Student Services	Auxiliary Enterprises	Management and General	Fundraising	Total
Salaries	$ 11,232,956	$ 9,615,491	$ 1,283,914	$ 2,242,168	$ 143,811	$ 3,808,193	$ 1,477,485	$ 29,804,018
Employee benefits	3,411,977	4,376,863	464,444	1,182,280	31,962	1,416,396	641,993	11,525,915
Interest	6,320,647	4,843,848	208,837	229,716	267,681	590,872	138,795	12,600,396
Depreciation and amortization	4,273,990	3,258,694	244,059	129,375	484,182	243,548	156,514	8,790,362
Occupancy and other related expenses	1,568,512	1,204,144	141,940	372,383	33,971	1,699,414	69,310	5,089,674
Supplies, services and other office expenses	611,784	1,453,192	836,956	487,360	847	3,686,876	669,886	7,746,901
Other operating expenses	812,432	1,253,818	326,844	695,254	12	1,305,857	112,820	4,507,037
	$ 28,232,298	$ 26,006,050	$ 3,506,994	$ 5,338,536	$ 962,466	$ 12,751,156	$ 3,266,803	$ 80,064,303

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 RESOURCES

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

	2021	2020
Financial assets as of June 30:		
Cash and cash equivalents	$ 38,899,434	$ 39,574,445
Contributions receivable, net	5,232,319	3,291,955
Other receivables	1,822,858	1,796,775
Investments	1,006,402,217	926,897,735
Funds held by trustee	3,786,081	3,786,081
Loans to students, net	386,262	386,670
	1,056,529,171	975,733,661
Less:		
Amounts unavailable for general expenditures within one year:		
Restricted by donors with purpose restrictions	16,899,399	16,194,937
Restricted by donors in perpetuity	95,372,145	93,278,220
Accumulated endowment earnings subject to appropriation beyond one year	94,609,599	44,231,152
Real estate asset restricted as endowment	730,000,000	730,000,000
Split-interest agreement assets	8,378,970	6,987,090
Funds restricted by lender	3,786,081	3,786,081
Other receivables due to be collected beyond one year	90,980	116,714
Loans to students receivable due to be collected beyond one year	385,876	378,937
Contributions receivable due in greater than one year	16,680	264,092
Total amounts unavailable due to donor restrictions or law	949,539,730	895,237,223
Total financial assets available to management for general expenditure within one year	$ 106,989,441	$ 80,496,438

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 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 - COVID-19

In early 2020, an outbreak of the novel strain of coronavirus (“COVID-19”) emerged on a global scale. In reaction to the outbreak, federal, state and local governments have issued mandates that have disrupted businesses and resulted in an overall decline in economic activity. On March 11, 2020, in response to these mandates, the College elected to suspend in-person classes and moved to a virtual environment for the remainder of the spring 2020 semester. Students living in residence halls were encouraged to return to their primary residences, and subsequently all administrative buildings on campus were closed. COVID-19’s financial impact on the College during the fiscal year ended June 30, 2020 was minimal.

The pandemic’s impact on the College during the fiscal year ended June 30, 2021 was more significant. There were reductions in student enrollment resulting from the governmental mandates to control the spread of the virus; social distancing measures were implemented which reduced dormitory occupancy; and substantial costs were incurred for technology purchases related to online instruction, cleaning and testing supplies, personal protective equipment, etc.

The Coronavirus Aid, Relief, and Economic Security (“CARES”) Act Higher Education Emergency Relief Fund (“HEERF”) allocated funding of $766,505 to the College during the fiscal year ended June 30, 2020. The Coronavirus Response and Relief Supplemental Appropriations Act and the American Rescue Plan HEERF allocated funding of $2,600,888 to the College during the fiscal year ended June 30, 2021. HEERF student emergency grants of $649,729 and $116,065 were disbursed during the years ended June 30, 2021 and 2020, respectively, and recorded as revenue within government grants, contracts, and appropriations on the accompanying consolidated statements of activities. Institutional expenses for technology purchases, cleaning and testing supplies, etc., of $1,217,552 and $354,617 were incurred during the years ended June 30, 2021 and 2020, respectively, of which $554,894 was recognized as revenue within government grants, contracts, and appropriations on the accompanying consolidated statement of activities for the fiscal year ended June 30, 2021.