THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

Consolidated Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of The Cooper Union for the Advancement of Science and Art and its affiliates (collectively referred to as The Cooper Union) as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of The Cooper Union's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Cooper Union's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Cooper Union for the Advancement of Science and Art and its affiliates as of June 30, 2011 and 2010, and the statements of activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 6 to the consolidated financial statements, The Cooper Union adopted the Accounting Standards Codification 958, Section 205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*, for classification of donor-restricted endowment funds due to the enactment of the New York Prudent Management of Institutional Funds Act in 2011.

KPMG LLP

January 20, 2012

**THE COOPER UNION FOR THE ADVANCEMENT
OF SCIENCE AND ART**

Consolidated Balance Sheets

June 30, 2011 and 2010

Assets		**2011**	**2010**
Cash and cash equivalents	$	13,603,450	19,628,002
Contributions receivable, net (note 3)		4,001,655	5,568,941
Other receivables		977,078	1,690,933
Investments (note 2)		664,909,704	640,524,965
Prepaid expenses and other assets (note 5)		10,277,990	10,580,174
Loans to students, net of allowance for doubtful loans of $34,238 and $24,599 in 2011 and 2010, respectively		491,073	476,359
Plant assets, net (note 4)		196,247,099	199,245,592
Total assets	$	890,508,049	877,714,966
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	5,633,676	6,587,341
Accrued interest (note 5)		856,041	856,041
Liability under charitable trusts and annuity agreements		5,154,099	5,169,173
Accrued postretirement benefit costs (note 7)		22,908,163	24,552,437
Asset retirement obligation		330,000	330,000
Deferred revenue (note 8)		105,448,371	106,528,467
Long-term loans (note 5)		175,000,000	175,000,000
Total liabilities		315,330,350	319,023,459
Net assets:			
Unrestricted		(53,002,279)	472,157,050
Temporarily restricted (note 6)		562,016,316	23,465,037
Permanently restricted (note 6)		66,163,662	63,069,420
Total net assets		575,177,699	558,691,507
Total liabilities and net assets	$	890,508,049	877,714,966

See accompanying notes to consolidated financial statements.

THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

Consolidated Statement of Activities

Year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2011	Total 2010
Operations:					
Revenues and other support:					
Investment return utilized for operations (note 2)	$ 33,054,557	—	—	33,054,557	31,997,365
Student tuition and fees, net of tuition discount	3,013,966	—	—	3,013,966	2,980,031
Contributions	2,910,053	3,435,545	3,094,242	9,439,840	11,545,956
Government grants and contracts	946,738	—	—	946,738	885,367
Appropriations – State of New York aid	71,138	—	—	71,138	77,304
Rental income (notes 5 and 8)	3,320,603	—	—	3,320,603	3,072,146
Auxiliary enterprises	1,733,400	—	—	1,733,400	1,499,949
Other revenue	175,906	—	—	175,906	89,660
Net assets released from restrictions	1,431,133	(1,431,133)	—	—	—
Total revenues and other support	46,657,494	2,004,412	3,094,242	51,756,148	52,147,778
Expenses (note 9):					
Salaries	25,452,191	—	—	25,452,191	23,764,424
Employee benefits	10,064,387	—	—	10,064,387	11,618,814
Interest	10,272,500	—	—	10,272,500	10,380,027
Depreciation and amortization	8,731,206	—	—	8,731,206	6,680,793
Occupancy and other related expenses	7,398,281	—	—	7,398,281	6,627,197
Supplies, services, and other office expenses	5,376,255	—	—	5,376,255	5,020,857
Other operating expenses	3,006,166	—	—	3,006,166	2,737,538
Total expenses	70,300,986	—	—	70,300,986	66,829,650
(Deficiency) excess of operating revenues over operating expenses before nonoperating activities and other changes	(23,643,492)	2,004,412	3,094,242	(18,544,838)	(14,681,872)
Nonoperating activities and other changes:					
Excess of investment return over amounts utilized in operations (note 2)	7,952,557	23,702,953	—	31,655,510	44,296,106
Net assets released from restrictions for capital (note 4)	2,713,238	(2,713,238)	—	—	—
Net asset reclassification for the adoption of subtopic ASC 958-205-45 (note 6)	(515,557,152)	515,557,152	—	—	—
Gain (loss) not yet recognized as a component of net periodic cost (note 7)	3,375,520	—	—	3,375,520	(302,432)
(Decrease) increase in net assets	(525,159,329)	538,551,279	3,094,242	16,486,192	29,311,802
Net assets at beginning of year	472,157,050	23,465,037	63,069,420	558,691,507	529,379,705
Net assets at end of year	$ (53,002,279)	562,016,316	66,163,662	575,177,699	558,691,507

See accompanying notes to financial statements.

THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

Consolidated Statement of Activities

Year ended June 30, 2010

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operations:				
Revenues and other support:				
Investment return utilized for operations (note 2)	$ 31,997,365	—	—	31,997,365
Student tuition and fees, net of tuition discount	2,980,031	—	—	2,980,031
Contributions	2,846,868	7,373,129	1,325,959	11,545,956
Government grants and contracts	885,367	—	—	885,367
Appropriations – State of New York aid	77,304	—	—	77,304
Rental income (notes 5 and 8)	3,072,146	—	—	3,072,146
Auxiliary enterprises	1,499,949	—	—	1,499,949
Other revenue	89,660	—	—	89,660
Net assets released from restrictions	1,955,207	(1,955,207)	—	—
Total revenues and other support	45,403,897	5,417,922	1,325,959	52,147,778
Expenses (note 9):				
Salaries	23,764,424	—	—	23,764,424
Employee benefits	11,618,814	—	—	11,618,814
Interest	10,380,027	—	—	10,380,027
Depreciation and amortization	6,680,793	—	—	6,680,793
Occupancy and other related expenses	6,627,197	—	—	6,627,197
Supplies, services, and other office expenses	5,020,857	—	—	5,020,857
Other operating expenses	2,737,538	—	—	2,737,538
Total expenses	66,829,650	—	—	66,829,650
(Deficiency) excess of operating revenues over operating expenses before nonoperating activities and other changes	(21,425,753)	5,417,922	1,325,959	(14,681,872)
Nonoperating activities and other changes:				
Excess of investment return over amounts utilized in operations (note 2)	37,943,552	6,352,554	—	44,296,106
Net assets released from restrictions for capital (note 4)	57,237,498	(57,237,498)	—	—
Net asset reclassification for the adoption of subtopic ASC 958-205-45 (note 6)	—	—	—	—
Gain (loss) not yet recognized as a component of net periodic cost (note 7)	(302,432)	—	—	(302,432)
(Decrease) increase in net assets	73,452,865	(45,467,022)	1,325,959	29,311,802
Net assets at beginning of year	398,704,185	68,932,059	61,743,461	529,379,705
Net assets at end of year	$ 472,157,050	23,465,037	63,069,420	558,691,507

See accompanying notes to financial statements.

THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

Consolidated Statements of Cash Flows

Years ended June 30, 2011 and 2010

		2011	2010
Cash flows from operating activities:			
Increase in net assets	$	16,486,192	29,311,802
Adjustments to reconcile increase in net assets to net cash used in operating activities:			
(Gain) loss not yet recognized as a component of net periodic cost		(3,375,520)	302,432
Depreciation and amortization expense		8,731,206	6,680,793
Net unrealized and realized gains on investments		(34,815,599)	(47,679,403)
Change in value of split-interest agreements		231,842	(160,093)
Permanently restricted contributions		(3,094,242)	(1,325,959)
Contributions restricted for capital purposes		(342,021)	(6,168,646)
Changes in assets and liabilities:			
Contributions receivable, net of amounts classified as financing activities		(221,035)	4,575,960
Other receivables		713,855	(497,821)
Prepaid expenses and other assets		302,184	893,410
Accounts payable and accrued expenses		(72,646)	(550,564)
Deferred revenue		(1,080,096)	(1,959,990)
Other liabilities		—	(18,806)
Accrued postretirement benefit costs		1,731,246	1,987,095
Net cash used in operating activities		(14,804,634)	(14,609,790)
Cash flows from investing activities:			
Purchases of investments		(37,321,825)	(54,369,163)
Proceeds from sales of investments		47,752,685	73,986,731
Increase in loans to students		(14,714)	(40,155)
Decrease in accounts payable for capital expenditures		(881,019)	(11,509,940)
Purchases of plant assets		(5,732,713)	(15,823,337)
Net cash provided by (used in) investing activities		3,802,414	(7,755,864)
Cash flows from financing activities:			
Permanently restricted contributions		3,094,242	1,325,959
Contributions restricted for capital purposes		342,021	6,168,646
Increase (decrease) in contributions receivable related to financing activities		1,788,321	(1,437,599)
Proceeds of new charitable gift annuities in excess of contributions recognized		305,144	80,858
Payments to beneficiaries under charitable annuities		(552,060)	(566,834)
Net cash provided by financing activities		4,977,668	5,571,030
Net decrease in cash and cash equivalents		(6,024,552)	(16,794,624)
Cash and cash equivalents at beginning of year		19,628,002	36,422,626
Cash and cash equivalents at end of year	$	13,603,450	19,628,002
Supplemental cash flow information:			
Cash paid during the year for interest	$	10,272,500	10,380,000
Noncash financing activity:			
Reclassification of loan payable to deferred revenue		—	96,970,000

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

Organization

The accompanying consolidated financial statements include the balance sheets, and statements of activities and cash flows of The Cooper Union for the Advancement of Science and Art (the College) 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).

The College was founded in 1859 through the bequest of Peter Cooper, a noted industrialist and philanthropist. Consistent with Peter Cooper's wishes, the College remains one of the few private, full-tuition scholarship colleges in the United States. It offers degree programs in architecture, art, and engineering. The College has designated a $35,000 tuition charge for full-time students. All students are required to apply for certain outside tuition assistance programs for which they are eligible. 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.

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 there-from, 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 (collectively referred to as The Cooper Union). All significant interorganizational balances and transactions have been eliminated in consolidation.

Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met either by actions of The Cooper Union or the passage of time. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted. Expirations of temporary restrictions on prior year net asset balances are reported as net assets released from restrictions.

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

(b) Income Tax Status

The College and the C.V. Starr Research Foundation at The Cooper Union for the Advancement of Science and Art, Inc. are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Astor Place is exempt from federal income tax under Section 501(c)(2) of the Internal Revenue Code. The Cooper Union recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. The Cooper Union evaluates, on an annual basis, the effects of any uncertain tax positions on its financial statements. As of June 30, 2011 and 2010, The Cooper Union has not identified or provided for any such positions.

(c) Cash and Cash Equivalents

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

(d) Contributions

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

(e) 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 unrestricted net assets class. Contributions of cash or other assets to be used to acquire property, plant, and equipment with such donor stipulations are reported as revenues of the temporarily restricted net assets class; the restrictions are considered to be released at the time such long-lived assets are placed into service.

(f) 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, whichever is shorter.

(g) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include fair value of real estate and alternative investments, the useful lives of fixed assets, accrued postretirement benefit costs, allowance for doubtful loans and contributions receivable, liability under charitable trusts and annuity agreements, and liabilities for asset retirement obligations. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions.

(h) Fair Value of Financial Instruments

The fair value of investments is determined as indicated in note 2. The carrying amount of long-term loans payable approximates fair value because they carry an interest rate similar to the market rate offered by similar instruments. The carrying amounts of all other financial instruments approximate fair value because of the short maturity of those instruments.

(i) Fair Value Measurements

Fair value is defined as the exchange price that would be received for 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 of access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Classification in Level 2 or 3, for alternative investments measured at net asset value, is based on The Cooper Union's ability to redeem its interest at or near the date of the consolidated balance sheet; if the interest can be redeemed in the near term, the investment is classified in Level 2.

(j) 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 these beneficiaries until the agreement expires and the assets are distributed.

Such split-interests 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 in the accompanying 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 beneficiaries. The liabilities under charitable trusts and annuity agreements are adjusted annually for changes in the life expectancy of the donor or beneficiary, amortization of the discount, and other changes in the estimates of future payments.

(k) Nonoperating activities

Within unrestricted net assets, nonoperating activities are distinguished from operating activities and include excess (deficiency) of investment return over amounts utilized for operations, net assets released from restriction for capital, gain (loss) not yet recognized as a component of net periodic benefit cost, and other nonrecurring items.

(l) Prior Year Financial Information

Certain reclassifications have been made to the 2010 consolidated financial statements to conform to the 2011 presentation.

(2) Investments

Investments in debt and equity securities are reported at fair value based on quoted market values. Alternative investments such as hedge funds, fund of funds, and limited partnerships are reported based on amounts provided by the investment managers or general partners, at net asset value, as a practical expedient to fair value. Because alternative investments are not readily marketable, net asset value may differ significantly from the values that would have been reported had a ready market for these investments existed. Such differences could be material. The Cooper Union reviews and evaluates the values provided by the investment managers or general partners and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. The College owns the Chrysler Building. Legal title to both the land and building, subject to a lease (note 8) which is scheduled to expire in 2147, rests with the College. The fair value of the Chrysler Building is determined based on the net present value of future cash flows related to net rental income.

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

The following tables present The Cooper Union's fair value hierarchy for investments as of June 30, 2011 and 2010:

	Fair value	2011 Level 1	Level 2	Level 3	Redemption or liquidation	Days' notice
Financial assets:						
Cash, cash equivalents, and short-term investments held by investment managers and trustees	$ 3,320,170	3,320,170	—	—	Daily	1
Bonds	2,545,140	2,545,140	—	—	Daily	1
Equity securities:						
U.S. equity	26,408,269	26,408,269	—	—	Daily	1
International equity	10,761,408	10,761,408	—	—	Daily	1
Mutual funds	5,512,560	5,512,560	—	—	Daily	1
Hedge funds:						
Long/short equity	15,227,514	9,996,884	5,230,630	—	Daily, quarterly, subject to lockup	1-90
Absolute return	20,942,152	—	20,942,152	—	Quarterly	14-90
Fund of funds:						
Long/short equity	3,315,638	—	3,315,638	—	Quarterly, subject to lockup	14-90
Absolute return	3,628,783	—	3,628,783	—	Quarterly	90
Limited partnerships:						
Global equity	13,321,193	—	13,321,193	—	Monthly	14-90
Long/short equity	11,832,251	—	11,832,251	—	Quarterly	14-90
Absolute return	17,826,561	—	11,692,763	6,133,798	Monthly, annually	14-90
Nonmarketable assets	7,907,914	—	—	7,907,914	Illiquid	N/A
Real estate and other:						
Other	620,151	—	—	620,151	Illiquid	N/A
Real estate	521,740,000	—	—	521,740,000	Illiquid	N/A
Total	$ 664,909,704	58,544,431	69,963,410	536,401,863		

The Cooper Union has $3,315,638 and $3,192,147 of Level 3 investments that are subject to lockup until August 30, 2011 and September 30, 2011, respectively.

	2010					
	Fair value	**Level 1**	**Level 2**	**Level 3**	**Redemption or liquidation**	**Days' notice**
Financial assets:						
Cash, cash equivalents, and short-term investments held by investment managers and trustees	$ 2,674,023	2,674,023	—	—	Daily	1
Bonds	8,860,887	8,860,887	—	—	Daily	1
Equity securities:						
U.S. equity	15,604,705	15,604,705	—	—	Daily	1
International equity	3,575,596	1,725,420	1,850,176	—	Daily	1
Mutual funds	4,175,040	4,175,040	—	—	Daily	1
Hedge funds:						
Long/short equity	10,653,632	—	7,747,969	2,905,663	Quarterly, subject to lockup	14-90
Absolute return	19,091,732	—	19,091,732	—	Quarterly	14-90
Fund of funds:						
Long/short equity	3,078,031	—	—	3,078,031	Subject to lockup	14-90
Absolute return	3,053,669	—	3,053,669	—	Quarterly	N/A
Limited partnerships:						
Global equity	10,274,083	—	10,274,083	—	Monthly	14-90
Long/short equity	17,889,662	—	12,629,158	5,260,504	Quarterly, subject to lockup	14-90
Absolute return	16,157,960	—	11,888,267	4,269,693	Quarterly, annually	14-90
Fund of funds	9,766,620	—	9,766,620	—	Quarterly	14-90
Nonmarketable assets	6,302,313	—	—	6,302,313	Illiquid	N/A
Real estate and other:						
Other	2,637,012	—	—	2,637,012	Illiquid	N/A
Real estate	506,730,000	—	—	506,730,000	Illiquid	N/A
Total	$ 640,524,965	33,040,075	76,301,674	531,183,216		

The following tables present The Cooper Union's activity for the fiscal years ended June 30, 2011 and 2010 for investments measured at fair value on a recurring basis using unobservable inputs (Level 3):

	Hedge funds	**Fund of funds**	**Limited partnership**	**Real estate and other**	**Total**
Ending balance, June 30, 2010	$ 2,905,663	3,078,031	15,832,510	509,367,012	531,183,216
Net appreciation in fair value of investments	—	—	3,267,801	15,225,981	18,493,782
Sales/Redemptions	—	—	(1,929,894)	(2,232,842)	(4,162,736)
Purchases	—	—	899,558	—	899,558
Transfer from Level 3 to 2	(2,905,663)	(3,078,031)	(4,028,263)	—	(10,011,957)
Ending balance, June 30, 2011	$ —	—	14,041,712	522,360,151	536,401,863

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 to or from Level 1.

		Hedge funds	Fund of funds	Limited partnership	Real estate and other	Total
Ending balance, June 30, 2009	$	18,837,953	28,605,951	43,536,290	473,205,895	564,186,089
Net appreciation in fair value of investments		(86,446)	809,537	1,919,035	34,813,877	37,456,003
Sales		(11,150,429)	(9,058,587)	(6,179,723)	(96,484)	(26,485,223)
Purchases		3,000,000	5,265,703	736,172	1,443,724	10,445,599
Transfers from Level 3 to 2		(7,695,415)	(22,544,573)	(24,179,264)	—	(54,419,252)
Ending balance, June 30, 2010	$	2,905,663	3,078,031	15,832,510	509,367,012	531,183,216

The components of investment return for the years ended June 30, 2011 and 2010 are as follows:

		2011	2010
Real estate rental income	$	26,655,297	26,582,105
Interest and dividends		3,844,825	2,482,223
Unrealized gains on investments		30,417,551	47,701,298
Realized gains (losses) on investments		4,398,048	(21,895)
Investment expenses		(605,654)	(450,260)
Net investment return		64,710,067	76,293,471
Less amounts classified as:			
Temporarily restricted		23,702,953	6,352,554
Unrestricted-amount utilized for operations		33,054,557	31,997,365
Excess of investment return over amount utilized for operations and classified as unrestricted	$	7,952,557	37,943,552

Included in investments-real estate is one real estate investment amounting to $520 million and $505 million at June 30, 2011 and 2010, respectively. Also included in investments are charitable trusts and gift annuities amounting to $8,261,977 and $6,401,784 at June 30, 2011 and 2010, respectively.

At June 30, 2011, the College is committed to investing an additional $3.4 million in a limited partnership.

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

(3) Contributions Receivable

Contributions receivable at June 30, 2011 and 2010 are scheduled to be collected as follows:

		2011	2010
Year ended June 30:			
Less than one year	$	2,533,706	3,498,286
One year to five years		1,714,158	2,562,149
		4,247,864	6,060,435
Less allowance for uncollectible contributions receivable		(77,194)	(112,351)
Adjustment to reflect contributions receivable at discount value (1.67% – 8.25%)		(169,015)	(379,143)
	$	4,001,655	5,568,941

(4) Plant Assets

Plant assets consist of the following at June 30, 2011 and 2010:

		2011	2010
Land and land improvements	$	150,000	150,000
Buildings and building improvements		234,688,997	219,363,348
Software and equipment		29,252,520	28,597,691
Leasehold improvements		3,001,629	3,003,889
Construction in progress		638,432	10,931,458
		267,731,578	262,046,386
Accumulated depreciation and amortization		(71,484,479)	(62,800,794)
	$	196,247,099	199,245,592

Included in plant assets is a building of $2,549,115, which is subject to a gift annuity agreement.

In 2010, The Cooper Union substantially completed its major facilities renewal program, which included the construction of a new academic building on the site of the former Hewitt Building and renovations to the historic Foundation Building. The new academic building was placed in service in 2010 and in connection therewith, all temporarily restricted net assets relating to this portion of the capital program were released from restriction. The cost of the academic building is included in building and building improvements and is being depreciated over 30 years.

(5) Long-Term Loans

On October 6, 2006, the College entered into a $175,000,000 nonrecourse loan with Metropolitan Life Insurance Company (MetLife) to build a new academic building, retire existing debt, and fund future operations. The term of the loan is 30 years with an annual interest rate of 5.87%. The amortization period is based on 18 years with interest only for the first 12 years. The loan is secured by a first priority mortgage on the College's fee interest in the Chrysler property and an assignment of all of the College's rights to the payment of basic rent, tax equivalency payments, and other sums due under the terms of the operating lease. The College incurred $6,325,057 in costs associated with entering into the loan. These costs have been deferred and are being amortized over the life of the debt.

The projected debt service for the MetLife loan for the next five years and thereafter is as follows:

	Principal	Interest	Total
Year ending June 30:			
2012	$ —	10,272,500	10,272,500
2013	—	10,272,500	10,272,500
2014	—	10,272,500	10,272,500
2015	—	10,272,500	10,272,500
2016	—	10,272,500	10,272,500
2017 and thereafter (in aggregate)	175,000,000	140,096,185	315,096,185

On December 31, 2007, the College, owner of 51 Astor Place, entered into a 99-year ground lease with a developer. The ground lease was amended and restated on January 31, 2008, and further amended on October 13, 2009, July 29, 2011 and January 12, 2012. Pursuant to the terms of the ground lease, as amended, the College was permitted to continue to occupy the 51 Astor Place site under a sublease agreement through July 31, 2011. In connection with this transaction, the College 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 surrender of the facility to the developer, which occurred on July 10, 2009, the College reclassified the debt in fiscal year 2010 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 on a straight-line basis over the life of the lease.

The College incurred approximately $4.4 million in costs associated with entering into the loan. These costs have been deferred and are being amortized over the life of the debt.

Total debt issuance costs of $9,149,936 and $9,537,000 at June 30, 2011 and 2010, respectively, net of amortization of $1,641,356 and $1,254,289 at June 30, 2011 and 2010, respectively, is included in prepaid expenses and other assets in the accompanying balance sheets.

Interest expense on all long-term debt approximated $10,272,500 and $10,380,000 in 2011 and 2010, respectively.

(6) Net Assets

Temporarily restricted net assets at June 30, 2011 and 2010 are available for the following purposes or periods:

	2011	2010
Purpose restrictions:		
Academic support	$ 8,994,945	8,181,916
Student aid	7,610,022	5,423,009
Instruction	2,867,175	1,747,612
Other	6,113,913	3,351,915
Time restrictions	5,873,109	4,760,585
Appreciation on real estate asset	520,000,000	—
Appreciation on endowment not yet appropriated	10,557,152	—
Total temporarily restricted net assets	$ 562,016,316	23,465,037

Permanently restricted net assets at June 30, 2011 and 2010 are restricted to investments in perpetuity, the income from which is expendable to support:

	2011	2010
Specific purposes of The Cooper Union, principally instructional and student financial aid	$ 52,284,160	49,550,614
General activities of The Cooper Union	13,879,502	13,518,806
Total permanently restricted net assets	$ 66,163,662	63,069,420

The Cooper Union's endowment consists of approximately 385 individual funds established for a variety of purposes, which are donor-restricted endowment funds. There are no board-designated funds. The fair values of 19 and 180 endowment accounts were less than their original value (underwater) by a total of approximately $225,000 and $4,000,000 at June 30, 2011 and 2010, respectively.

The Cooper Union manages its long-term investments in accordance with the total return concept and 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.

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 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.

In fiscal year 2011, New York State enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA). In accordance with the accounting guidance associated with the adoption of NYPMIFA, the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those 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 disclosure provisions set forth by Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA.*

Pursuant to the investment policy approved by the Board, 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.

The Cooper Union adopted NYPMIFA at the beginning of fiscal year 2011 and as a result, reclassified approximately $515.6 million of unrestricted net assets to temporarily restricted net assets.

Donor restricted amounts reported below include term endowments and appreciation reported as temporarily restricted net assets and the underwater amount of endowment funds reported as unrestricted net assets.

Changes in endowment net assets for the fiscal years ended June 30, 2011 and 2010 were as follows:

	2011			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Net assets, June 30, 2010	$ 511,599,754	4,482,944	63,069,420	579,152,118
Net assets reclassification for the adoption of subtopic ASC 958-205	(515,557,152)	515,557,152	—	—
Net investment return	31,186,109	23,077,465	—	54,263,574
Contributions	—	—	3,094,242	3,094,242
Distributions	(27,453,533)	—	—	(27,453,533)
Net assets, June 30, 2011	$ (224,822)	543,117,561	66,163,662	609,056,401

	2010			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Net assets, June 30, 2009	$ 466,094,551	3,144,853	61,743,461	530,982,865
Net investment return	61,747,030	6,140,077	—	67,887,107
Contributions	4,802,986	1,000	1,325,959	6,129,945
Distributions	(21,044,813)	(4,802,986)	—	(25,847,799)
Net assets, June 30, 2010	$ 511,599,754	4,482,944	63,069,420	579,152,118

(7) Pension Plan and Postretirement Benefits

A noncontributory, defined contribution and annuity pension plan is available to all eligible employees who have met stipulated length-of-service and age requirements. The expenses for the plan for the years ended June 30, 2011 and 2010 amounted to $1,895,678 and $1,781,587, 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 amount reported in The Cooper Union's consolidated balance sheets as of June 30, 2011 and 2010:

	2011	2010
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 24,552,437	22,262,910
Service cost	700,886	689,044
Interest cost	1,157,753	1,260,223
Actuarial loss	(2,279,145)	(2,017,450)
Actuarial assumptions	(700,822)	2,744,352
Benefits paid	(522,946)	(386,642)
Benefit obligation at end of year	22,908,163	24,552,437
Change in plan assets:		
Employer contribution	522,946	386,642
Benefit paid	(522,946)	(386,642)
Fair value of plan assets at end of year	—	—
Funded status	$ (22,908,163)	(24,552,437)
Amount recognized in the consolidated balance sheets consists of:		
Accrued benefits cost – beginning of year	$ 24,552,437	22,262,910
(Gain) loss not yet recognized as a component of net periodic cost	(3,375,520)	302,432
Net periodic benefit cost	2,254,192	2,373,737
Employer contribution	(522,946)	(386,642)
Net amount recognized	$ 22,908,163	24,552,437
Weighted average discount rate assumptions as of June 30	5.50%	5.25%

For measurement purposes, a 12% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for fiscal year 2011. The rate was assumed to decrease by 1.5% per year to an ultimate rate of 3.0% and remain at that level thereafter.

		2011	2010
Components of net periodic benefit cost:			
Service cost	$	700,886	689,044
Interest cost		1,157,753	1,260,223
Recognized actuarial loss		395,553	424,470
Net periodic benefit cost	$	2,254,192	2,373,737
Benefit cost weighted average discount rate assumptions for the years ended June 30		5.25%	6.25%

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	$	299,854	(242,708)
Effect on postretirement benefit obligation		2,928,907	(2,433,681)

The projected premium payments in each fiscal year from 2012 through 2021 are:

Year ending June 30:		
2012	$	884,117
2013		1,034,707
2014		1,134,097
2015		1,228,340
2016		1,329,146
2017 through 2021 (in aggregate)		7,829,732
	$	13,440,139

At June 30, 2011, the net loss of $4,433,611 was not yet recognized as a component of net periodic benefit cost. In addition to service and interest costs, the projected net periodic postretirement benefit cost for fiscal year 2012 includes amortization of actuarial losses of $280,680.

(8) Operating Leases

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

- An amount of basic annual rent of $7,000,000 through December 31, 2012, and $7,750,000 through December 31, 2017. As of January 1, 2018 and each 10-year anniversary thereafter, the basic rent shall be adjusted based on fair value of the property and the assumption that a building of 1,194,000 square feet can be built.
- An amount equivalent to the taxes payable on the real property were it subject to taxation. Such amount is based on New York City's assessment of the value of the land and building subject to the existing tax rate.

Contemporaneous with the execution of the MetLife loan, The Cooper Union entered into a modification agreement for the lease above. The amended terms include that the basic annual rent schedule be adjusted 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 basic rent shall be adjusted by agreement between The Cooper Union and the tenant based upon the fair market 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.

In December 2002, The Cooper Union entered into two related operating lease agreements, which expire on December 2101, for the land located at 26 Astor Place in New York City. Under the terms of both leases, the tenant will finance construction of a new building, ownership to be held by The Cooper Union. Under the terms of the lease agreements, rental income from the real property includes:

- Total rent of $11,000,000 received by The Cooper Union at June 30, 2004 was recorded as deferred revenue in the accompanying consolidated balance sheets and is being recognized into income over the lives of the leases. The remaining balance is $10,102,041 and $10,214,286 at June 30, 2011 and 2010, respectively.
- An amount equivalent to the taxes payable on the real property were it subject to taxation. Such amount is based on New York City's assessment of the value of the land and building subject to the existing tax rate. This amount may be reduced by 50% beginning in fiscal 2012 based on an agreement with New York City.

In 1989, The Cooper Union entered into an operating lease agreement expiring in 2038, as the lessee of property on Third Avenue in New York City where the student residence building is located. Space at the Third Avenue site is subleased to tenants under operating leases that expire at various dates through 2024. Rent and related expenses for this lease were $1,070,384 and $1,028,171 in 2011 and 2010, respectively. Sublease income for these leases was $979,235 and $929,486 in 2011 and 2010, respectively. The following is a schedule by year of future minimum rental payments and sublease income, including future rent escalations, as of June 30, 2011, for the Third Avenue site:

		Minimum rental payments	Sublease income
Year ending June 30:			
2012	$	830,000	1,025,730
2013		845,000	1,075,741
2014		860,000	1,129,457
2015		875,000	1,186,368
2016		890,000	1,246,677
2017 and thereafter (in aggregate)		23,273,333	9,357,190

In addition, The Cooper Union leases, under an operating lease agreement, office space at 30 Cooper Square in New York City. This operating lease commenced on July 1, 1992 and expires in 2012. Rent expense for this lease was $710,231 and $668,160 in 2011 and 2010, respectively. The following is a schedule by year of future minimum rental payments excluding future rent escalations, at June 30, 2011:

		Minimum rental payments
Year ending June 30:		
2012	$	710,231

(9) Functional Expenses

The cost of providing programs by The Cooper Union has been summarized on a functional basis in the table below. Accordingly, expenses have been charged to program and supporting services based on direct expenses and other specific allocation methods.

	2011	2010
Program services:		
Instruction	$ 24,652,403	24,333,054
Academic support	18,863,629	18,112,721
Public service	3,887,505	3,611,031
Research	279,761	224,503
Student services	3,592,528	3,953,499
Student aid	2,121,612	1,965,840
Auxiliary enterprises	2,196,578	2,157,260
	55,594,016	54,357,908
Supporting services:		
Management and general	10,474,385	8,082,111
Fund-raising	4,232,585	4,389,631
	14,706,970	12,471,742
Total expenses	$ 70,300,986	66,829,650

(10) Subsequent Events

In connection with the preparation of the consolidated financial statements, the College evaluated events subsequent to June 30, 2011 and through January 20, 2012, which was the date the consolidated financial statements were available for issuance, and concluded that no additional disclosures are required.