



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

Consolidated Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
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, which comprise the consolidated balance sheets as of June 30, 2015 and 2014, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' 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 auditors' 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 entity'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 entity'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.

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, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

March 30, 2016

**THE COOPER UNION FOR THE ADVANCEMENT
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Consolidated Balance Sheets

June 30, 2015 and 2014

Assets	2015	2014
Cash and cash equivalents	\$ 29,721,796	17,468,985
Contributions receivable, net (note 4)	3,289,549	4,994,167
Other receivables	1,129,741	1,518,596
Investments (notes 2 and 3)	781,036,828	735,486,394
Prepaid expenses and other assets	3,301,263	1,103,088
Funds held by trustee (notes 2, 3 and 8)	4,758,353	—
Loan issuance costs (notes 7 and 8)	11,470,300	9,035,867
Loans to students, net of allowance for doubtful loans of \$34,238 in both 2015 and 2014	452,483	480,479
Plant assets, net (note 5)	<u>168,264,184</u>	<u>174,206,677</u>
Total assets	<u>\$ 1,003,424,497</u>	<u>944,294,253</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,186,019	5,155,989
Accrued interest	2,094,898	856,041
Liability under charitable trusts and annuity agreements	5,705,799	5,857,475
Accrued postretirement benefit costs (note 6)	27,805,846	22,450,126
Deferred revenue (note 7)	105,515,620	105,052,035
Long-term loans (note 8)	<u>233,760,000</u>	<u>175,000,000</u>
Total liabilities	<u>381,068,182</u>	<u>314,371,666</u>
Net assets (deficit) (note 10):		
Unrestricted	(128,640,881)	(109,227,614)
Temporarily restricted	674,885,703	667,393,620
Permanently restricted	<u>76,111,493</u>	<u>71,756,581</u>
Total net assets	<u>622,356,315</u>	<u>629,922,587</u>
Total liabilities and net assets	<u>\$ 1,003,424,497</u>	<u>944,294,253</u>

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Activities

Year ended June 30, 2015

(With comparative summarized totals for the year ended June 30, 2014)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>	
				<u>2015</u>	<u>2014</u>
Operations:					
Revenues and other support:					
Investment return utilized for operations (note 2)	\$ 37,372,697	—	—	37,372,697	34,403,857
Student tuition and fees, net of tuition discount	5,759,962	—	—	5,759,962	2,964,695
Contributions	3,381,391	2,160,458	4,354,912	9,896,761	16,812,790
Government grants, contracts, and appropriations	374,546	—	—	374,546	389,985
Rental income (notes 7 and 9)	2,748,992	—	—	2,748,992	2,785,737
Auxiliary enterprises	2,394,183	—	—	2,394,183	2,217,820
Other revenue	177,783	—	—	177,783	611,412
Net assets released from restrictions	1,227,214	(1,227,214)	—	—	—
Total revenues and other support	<u>53,436,768</u>	<u>933,244</u>	<u>4,354,912</u>	<u>58,724,924</u>	<u>60,186,296</u>
Expenses (note 11):					
Salaries	26,832,259	—	—	26,832,259	24,573,828
Employee benefits	10,200,264	—	—	10,200,264	10,648,012
Interest (note 8)	12,547,491	—	—	12,547,491	10,272,500
Depreciation and amortization	8,470,591	—	—	8,470,591	8,672,369
Occupancy and other related expenses	6,898,813	—	—	6,898,813	6,667,921
Supplies, services, and other office expenses	8,597,817	—	—	8,597,817	8,719,191
Other operating expenses	4,430,686	—	—	4,430,686	4,484,923
Total expenses	<u>77,977,921</u>	<u>—</u>	<u>—</u>	<u>77,977,921</u>	<u>74,038,744</u>
(Deficiency) excess of operating revenues over operating expenses before nonoperating activities and other changes	(24,541,153)	933,244	4,354,912	(19,252,997)	(13,852,448)
Nonoperating activities and other changes:					
Excess of investment return over amounts utilized in operations (note 2)	—	16,357,086	—	16,357,086	50,854,213
Net assets released from restrictions for capital and other reclassifications (note 10)	9,798,247	(9,798,247)	—	—	—
Amounts not yet recognized as a component of net periodic cost (note 6)	(4,670,361)	—	—	(4,670,361)	3,790,242
(Decrease) increase in net assets	(19,413,267)	7,492,083	4,354,912	(7,566,272)	40,792,007
Net assets (deficit) at beginning of year	<u>(109,227,614)</u>	<u>667,393,620</u>	<u>71,756,581</u>	<u>629,922,587</u>	<u>589,130,580</u>
Net assets (deficit) at end of year	<u>\$ (128,640,881)</u>	<u>674,885,703</u>	<u>76,111,493</u>	<u>622,356,315</u>	<u>629,922,587</u>

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Activities

Year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total 2014</u>
Operations:				
Revenues and other support:				
Investment return utilized for operations (note 2)	\$ 34,403,857	—	—	34,403,857
Student tuition and fees, net of tuition discount	2,964,695	—	—	2,964,695
Contributions	9,008,626	5,734,212	2,069,952	16,812,790
Government grants, contracts, and appropriations	389,985	—	—	389,985
Rental income (notes 7 and 9)	2,785,737	—	—	2,785,737
Auxiliary enterprises	2,217,820	—	—	2,217,820
Other revenue	611,412	—	—	611,412
Net assets released from restrictions	1,834,534	(1,834,534)	—	—
Total revenues and other support	<u>54,216,666</u>	<u>3,899,678</u>	<u>2,069,952</u>	<u>60,186,296</u>
Expenses (note 11):				
Salaries	24,573,828	—	—	24,573,828
Employee benefits	10,648,012	—	—	10,648,012
Interest (note 8)	10,272,500	—	—	10,272,500
Depreciation and amortization	8,672,369	—	—	8,672,369
Occupancy and other related expenses	6,667,921	—	—	6,667,921
Supplies, services, and other office expenses	8,719,191	—	—	8,719,191
Other operating expenses	4,484,923	—	—	4,484,923
Total expenses	<u>74,038,744</u>	<u>—</u>	<u>—</u>	<u>74,038,744</u>
(Deficiency) excess of operating revenues over operating expenses before nonoperating activities and other changes	(19,822,078)	3,899,678	2,069,952	(13,852,448)
Nonoperating activities and other changes:				
Excess of investment return over amounts utilized in operations (note 2)	—	50,854,213	—	50,854,213
Net assets released from restrictions for capital and other reclassifications	(899)	2,839	(1,940)	—
Amounts not yet recognized as a component of net periodic cost (note 6)	3,790,242	—	—	3,790,242
(Decrease) increase in net assets	(16,032,735)	54,756,730	2,068,012	40,792,007
Net assets (deficit) at beginning of year	(93,194,879)	612,636,890	69,688,569	589,130,580
Net assets (deficit) at end of year	<u>\$ (109,227,614)</u>	<u>667,393,620</u>	<u>71,756,581</u>	<u>629,922,587</u>

See accompanying notes to consolidated financial statements.

**THE COOPER UNION FOR THE ADVANCEMENT
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Consolidated Statements of Cash Flows

Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (7,566,272)	40,792,007
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Amounts not yet recognized as a component of net periodic cost	4,670,361	(3,790,242)
Depreciation and amortization expense	8,470,591	8,672,369
Amortization of deferred issuance costs	562,367	390,391
Net unrealized and realized gains on investments	(20,658,892)	(54,726,230)
Change in value of split-interest agreements	594,794	640,354
Permanently restricted contributions	(4,354,912)	(2,069,952)
Contributions restricted for capital purposes	—	(1,000)
Changes in assets and liabilities:		
Contributions receivable, net of amounts classified as financing activities	1,648,841	(4,298,889)
Other receivables	388,855	63,234
Prepaid expenses and other assets	(2,198,175)	(989,781)
Accounts payable and accrued expenses	1,030,030	55,592
Deferred revenue	463,585	918,737
Accrued interest	1,238,857	—
Accrued postretirement benefit costs	685,359	888,012
Net cash used in operating activities	<u>(15,024,611)</u>	<u>(13,455,398)</u>
Cash flows from investing activities:		
Purchases of investments	(126,419,242)	(33,279,094)
Proceeds from sales of investments	101,527,700	45,569,359
Decrease in loans to students	27,996	9,331
Purchases of plant assets	(2,528,098)	(347,851)
Net cash (used in) provided by investing activities	<u>(27,391,644)</u>	<u>11,951,745</u>
Cash flows from financing activities:		
Permanently restricted contributions	4,354,912	2,069,952
Contributions restricted for capital purposes	—	1,000
Decrease in contributions receivable related to financing activities	55,777	447,870
Proceeds from loan	58,760,000	—
Deposit to debt service reserve fund	(2,702,960)	—
Deposit to interest reserve fund	(2,149,939)	—
Use of interest reserve fund	94,546	—
Payment of debt issuance costs	(2,996,800)	—
Proceeds of new charitable gift annuities	53,177	356,651
Payments to beneficiaries under charitable annuities	(799,647)	(1,033,166)
Net cash provided by financing activities	<u>54,669,066</u>	<u>1,842,307</u>
Net increase in cash and cash equivalents	12,252,811	338,654
Cash and cash equivalents at beginning of year	17,468,985	17,130,331
Cash and cash equivalents at end of year	<u>\$ 29,721,796</u>	<u>17,468,985</u>
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 11,308,634	10,272,500

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(1) 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 (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. 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 \$39,600 for full-time undergraduate students for the years ended June 30, 2015 and 2014.

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 (collectively referred to as The Cooper Union). All significant inter organizational balances and transactions have been eliminated in consolidation.

Summary of Significant Accounting Policies

(a) Basis of Presentation

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:

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.

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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 consolidated financial statements. As of June 30, 2015 and 2014, 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

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reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the fair value of real estate and alternative investments, the useful lives of fixed assets, accrued postretirement benefit costs, the allowance for doubtful loans and contributions receivable, liabilities under charitable trusts and annuity agreements, and liabilities for asset retirement obligations.

(h) 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.

(i) Fair Value of Financial Instruments

The fair value of investments is determined as indicated in note 2. 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.

(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-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 in the accompanying 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 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.

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(k) Nonoperating Activities

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

(l) Recently Issued Accounting Pronouncements

In 2015, the College early adopted Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, which removes the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient and removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The College applied the provisions of the update retrospectively to 2014.

(m) Reclassification

Certain 2014 amounts have been reclassified to conform to 2015 presentation.

(2) Investments

Investments in debt and equity securities with readily determinable fair values 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.

Real estate investments (note 3) consist of land and building of the Chrysler Building (405 Lexington Avenue), 51 Astor Place, and 22-36 Astor Place, all in New York, NY.

Also included in investments are charitable trusts and gift annuities amounting to \$7,922,818 and \$8,302,409 as of June 30, 2015 and 2014, respectively. The Cooper Union's liability under these charitable trusts and gift annuities was \$4,633,320 and \$4,730,388 as of June 30, 2015 and 2014, respectively.

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 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 risks 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.

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June 30, 2015 and 2014

The components of investment return for the years ended June 30, 2015 and 2014 were as follows:

	2015	2014
Real estate rental income, net (note 3)	\$ 32,413,941	29,648,586
Interest and dividends	1,144,654	1,279,381
Unrealized gains on real estate investments	20,750,000	40,360,000
Unrealized (losses) gains on other investments	(7,651,205)	2,419,239
Realized gains on investments	7,560,097	11,946,991
Investment expenses	(487,704)	(396,127)
Net investment return	53,729,783	85,258,070
Less amounts classified as:		
Temporarily restricted	16,357,086	50,854,213
Unrestricted amounts utilized for operations	37,372,697	34,403,857
Excess of investment return over amounts utilized for operations and amounts classified as temporarily restricted	\$ —	—

The amount of unrestricted amounts utilized for operations consists of (a) all real estate rental income, net of applicable real estate taxes and (b) the amount of spending from non real estate endowment and other investments as defined by the annual spending policy.

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The following tables present The Cooper Union's fair value hierarchy for investments as of June 30, 2015 and 2014. Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet:

	2015 Fair value measurements				Redemption or liquidation frequency	Days notice
	Fair value	Level 1	Level 2	Level 3		
Cash, cash equivalents, and short-term investments held by investment managers and trustees, including receivables due from broker of \$5,099	\$ 1,066,539	1,066,539	—	—	Daily	1
Corporate bonds	36,261,050	36,261,050	—	—	Daily	1
Equity securities:						
U.S. equity	25,312,287	23,081,092	2,231,195	—	Daily	1
Mutual funds	9,260,908	—	—	—	Daily	1
Real estate	632,880,000	—	—	632,880,000	Illiquid	N/A
Other	141,934	—	—	141,934	Illiquid	N/A
Subtotal	704,922,718	<u>60,408,681</u>	<u>2,231,195</u>	<u>633,021,934</u>		
Investments valued at NAV:						
Hedge funds:						
Including receivables due from broker of \$2,409,613						
Long/short equity	2,252,650				Quarterly	30
Absolute return	20,255,188				Quarterly	15–65
Fund of funds:						
Long/short equity	3,697,744				Quarterly	60
Absolute return	7,587,818				Quarterly	60–90
Limited partnerships:						
Global equity	12,743,084				Monthly	6
Absolute return	16,291,801				Quarterly, Annually	45–65
Nonmarketable assets	13,285,825				Illiquid	N/A
Total investments	\$ 781,036,828	<u>60,408,681</u>	<u>2,231,195</u>	<u>633,021,934</u>		
Funds held by trustee	4,758,353	4,758,353	—	—		
	<u>\$ 785,795,181</u>	<u>65,167,034</u>	<u>2,231,195</u>	<u>633,021,934</u>		

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	2014 Fair value measurements			Redemption or liquidation frequency	Days notice	
	Fair value	Level 1	Level 2			Level 3
Cash, cash equivalents, and short-term investments held by investment managers and trustees, including receivables due from broker of \$6,722,624	\$ 7,715,199	7,715,199	—	—	Daily	1
Corporate bonds	2,674,933	2,674,933	—	—	Daily	1
Equity securities:						
U.S. equity	21,071,320	21,071,320	—	—	Daily	1
Mutual funds	10,332,047	10,332,047	—	—	Daily	1
Real estate	612,130,000	—	—	612,130,000	Illiquid	N/A
Other	617,026	—	—	617,026	Illiquid	N/A
Subtotal	654,540,525	41,793,499	—	612,747,026		
Investments valued at NAV:						
Hedge funds:						
Long/short equity	1,974,703				Quarterly	30
Absolute return	24,190,502				Quarterly	15–65
Fund of funds:						
Long/short equity	3,593,193				Quarterly	60
Absolute return	7,552,075				Quarterly	60–90
Limited partnerships:						
Global equity	13,709,680				Monthly	6
Absolute return	16,694,898				Quarterly, Annually	45–65
Nonmarketable assets	13,230,818				Illiquid	N/A
Total investments	\$ 735,486,394	41,793,499	—	612,747,026		

The Cooper Union had \$10,383,738 and \$10,026,338 of nonmarketable assets that were subject to lockup as of June 30, 2015 and 2014, respectively. The remaining lockup of these assets ranges from 2 to 10 years. The Cooper Union's unfunded capital commitments approximated \$13.2 million as of June 30, 2015 and 2014.

The following tables present The Cooper Union's activity for the fiscal years ended June 30, 2015 and 2014 for investments measured at fair value on a recurring basis using unobservable inputs (Level 3):

	2015				
	Balance at June 30, 2014	Net appreciation in fair value of investments	Sales/ redemptions	Purchases	Balance at June 30, 2015
Real estate and other	\$ 612,747,026	20,750,000	(475,092)	—	633,021,934

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	2014				
	Balance at June 30, 2013	Net appreciation in fair value of investments	Sales/ redemptions	Purchases	Balance at June 30, 2014
Real estate and other	\$ 572,387,026	40,360,000	—	—	612,747,026

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 within levels in fiscal 2015 and 2014.

(3) Real Estate Investments

	2015	2014
Chrysler Building	\$ 630,000,000	610,000,000
51 Astor Place	1,750,000	1,300,000
22-36 Astor Place	1,130,000	830,000
Real estate investments	\$ 632,880,000	612,130,000

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 \$630,000,000 and \$610,000,000 as of June 30, 2015 and 2014, respectively. 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.

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 2), included:

- Basic annual rent of \$7,750,000 through December 31, 2017 (see paragraph below for 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. The additional rent for the years ended June 30, 2015 and 2014 was \$1,685,750 and \$1,382,310, respectively.
- 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. For the years ended June 30, 2015 and 2014, this tax equivalency payment equaled \$19,920,381 and \$18,790,485, respectively.

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Contemporaneous with the October 2006 execution of the MetLife loan (note 8), 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 market value of the land, the amended terms fixed the basic 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 basic rent shall be adjusted 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 (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 basic 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 that expires in 2109 with a developer. The developer demolished the then-existing structure and constructed a new 12-story building at that 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 basic annual rent payable under the lease through its expiration. The proceeds were recorded as deferred revenue (note 7). Amortization of the deferred revenue is recorded as real estate rental income over the life of the lease.

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22-36 Astor Place. The Cooper Union owns the land at 22-36 Astor Place (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 7). 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. The net amount is recognized as real estate rental income.

(4) Contributions Receivable

Contributions receivable as of June 30, 2015 and 2014 were scheduled to be collected as follows:

	<u>2015</u>	<u>2014</u>
Year ended June 30:		
Less than one year	\$ 3,492,458	5,511,363
One year to five years	53,422	4,625
	<u>3,545,880</u>	<u>5,515,988</u>
Contributions receivable, gross	3,545,880	5,515,988
Allowance for uncollectible contributions receivable	(255,038)	(255,122)
Adjustment to reflect contributions receivable at present value (0.08%–8.78%)	(1,293)	(266,699)
	<u>(1,293)</u>	<u>(266,699)</u>
Contributions receivable, net	<u>\$ 3,289,549</u>	<u>4,994,167</u>

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(5) Plant Assets

Plant assets as of June 30, 2015 and 2014 were as follows:

	2015	2014
Land and land improvements	\$ 150,000	150,000
Buildings and building improvements	235,594,233	235,594,233
Software and equipment	33,509,973	32,648,705
Leasehold improvements	4,814,823	3,067,759
Construction in progress	—	80,234
	274,069,029	271,540,931
Plant assets, gross		
Accumulated depreciation and amortization	(105,804,845)	(97,334,254)
	\$ 168,264,184	174,206,677
Plant assets, net		

Land and land improvements consist solely of the property at the location of the Foundation Building on 7th Street in New York City, reported at original value of \$150,000 as of June 30, 2015 and 2014.

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

Building and building improvements include the Foundation Building at 7 East 7th Street, the academic building at 41 Cooper Square, the President's Residence (recorded at \$2,549,115 at June 30, 2015 and 2014, which is subject to a gift annuity agreement with a liability of \$1,072,479 and \$1,127,087 at June 30, 2015 and 2014, respectively), and the residence hall built on the property leased at 29 Third Avenue.

(6) 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, 2015 and 2014 amounted to \$1,978,666 and \$1,796,225, respectively. The Cooper Union also provides medical insurance benefits for its retired employees through a defined benefit plan. The following

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provides information about the plan's funded status reconciled with the accrued postretirement benefit obligation reported in The Cooper Union's consolidated balance sheets as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 22,450,126	25,352,356
Service cost	545,269	539,433
Interest cost	939,894	925,561
Actuarial loss (gain)	83,909	(4,540,154)
Actuarial assumptions	4,586,452	749,912
Benefits paid	<u>(799,804)</u>	<u>(576,982)</u>
Benefit obligation at end of year	<u>27,805,846</u>	<u>22,450,126</u>
Change in plan assets:		
Employer contribution	799,804	576,982
Benefits paid	<u>(799,804)</u>	<u>(576,982)</u>
Fair value of plan assets at end of year	<u>—</u>	<u>—</u>
Funded status	<u>\$ 27,805,846</u>	<u>22,450,126</u>
	<u>2015</u>	<u>2014</u>
Accrued postretirement benefits costs obligation consists of:		
Accrued benefits cost liability at beginning of year	\$ 22,450,126	25,352,356
Net actuarial loss (gain) not yet recognized as a component of net periodic cost	4,670,361	(3,790,242)
Net periodic benefit cost	1,485,163	1,464,994
Employer contribution	<u>(799,804)</u>	<u>(576,982)</u>
Net obligation recognized	<u>\$ 27,805,846</u>	<u>22,450,126</u>
Weighted average discount rate assumptions as of June 30	4.25%	4.25%
	<u>2015</u>	<u>2014</u>
Components of net periodic benefit cost:		
Service cost	\$ 545,269	539,433
Interest cost	<u>939,894</u>	<u>925,561</u>
Net periodic benefit cost	<u>\$ 1,485,163</u>	<u>1,464,994</u>
Benefit cost weighted average discount rate assumption for the years ended June 30	4.25%	4.50%

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As of June 30, 2015 and 2014, cumulative net loss consists of amounts not yet recognized as a component of net periodic benefit cost of \$4,784,114 and \$113,753, respectively.

For measurement purposes, a 6.0% and 7.5% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for fiscal 2015 and 2014, respectively. The rate was assumed to decrease by 1.5% per year to an ultimate rate of 3.0% in fiscal 2018 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	\$ 266,782	(207,229)
Effect on accrued postretirement benefit obligation	3,076,685	(2,482,442)

The projected premium payments (i.e. employer contribution, which is equal to benefits paid) in each fiscal year from 2016 through 2025 are as follows:

Year ending June 30:	
2016	\$ 979,135
2017	1,102,090
2018	1,184,122
2019	1,318,949
2020	1,379,600
2021 through 2025 (in aggregate)	7,487,210
Projected premium payments	\$ 13,451,106

(7) Prepaid Expenses and Other Assets and Deferred Revenue

In fiscal 2008, in connection with the 99-year lease of 51 Astor Place (note 3), 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 \$91,093,030 and \$92,072,525 are included in deferred revenue at June 30, 2015 and 2014, respectively. The College incurred \$4,488,904 in costs associated with entering into the loan. These costs have been deferred and are being amortized over the life of the debt. Total costs of \$3,142,222 and \$3,321,779 as of June 30, 2015 and 2014, respectively, net of accumulated amortization of \$1,346,682 and \$1,167,125 as of June 30, 2015 and 2014, respectively.

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In fiscal 2004, under the terms of a 99-year lease of 26 Astor Place (note 3), 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 \$9,653,061 and \$9,765,306, net of accumulated amortization of \$1,346,939 and \$1,234,694 as of June 30, 2015 and 2014, respectively, is included in deferred revenue at June 30, 2015 and 2014, respectively. The College incurred \$423,154 in costs associated with entering into the lease. These costs have been deferred and are being amortized over the life of the lease. Total costs of \$367,588 and \$391,885 as of June 30, 2015 and 2014, respectively, net of accumulated amortization of \$55,566 and \$31,269 as of June 30, 2015 and 2014, respectively.

(8) Long-Term Loans

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 basic 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 the loan, which have been deferred and are being amortized over the life of the debt. Total debt issuance costs of \$4,427,540 and \$4,638,375 as of June 30, 2015 and 2014, respectively, net of amortization of \$1,897,517 and \$1,686,682 as of June 30, 2015 and 2014, 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, which \$58,760,000 loan 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 \$2,055,393 at June 30, 2015), and \$2,996,800 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 \$3,680,629, which are being amortized over the life of the loan. The unamortized balance of debt issuance costs as of June 30, 2015 was \$3,532,950, net of amortization of \$147,678. 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.

The Cooper Union's projected debt service for the next five years and thereafter follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2016	\$ —	12,975,460	12,975,460
2017	—	12,975,460	12,975,460
2018	—	12,975,460	12,975,460
2019	3,253,282	12,928,029	16,181,311
2020	5,842,230	12,628,974	18,471,204
and thereafter (in aggregate)	<u>224,664,488</u>	<u>127,246,630</u>	<u>351,911,118</u>
Totals	<u>\$ 233,760,000</u>	<u>191,730,013</u>	<u>425,490,013</u>

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Interest expense on all long-term debt totaled \$12,547,491 and \$10,272,500 for the years ended June 30, 2015 and 2014, respectively.

(9) 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 2024. Rent and related expenses for this lease were \$1,273,891 and \$1,156,213 for the years ended June 30, 2015 and 2014, respectively. Sublease rental income for these leases totaled \$998,187 and \$1,179,632 for the years ended June 30, 2015 and 2014, 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, 2015:

	<u>Sublease rental income</u>	<u>Minimum rental payments</u>
Year ending June 30:		
2016	\$ 1,028,552	890,000
2017	1,087,897	905,000
2018	1,150,985	920,000
2019	1,218,061	935,000
2020	1,289,380	950,000
2021 and thereafter (in aggregate)	4,485,208	19,563,334

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 on June 30, 2018, per a lease modification agreement in September 2013. Rent expense for this lease was \$785,799 and \$836,285 for the years ended June 30, 2015 and 2014, respectively. The following is a schedule by year of future minimum rental payments for the 30 Cooper Square property:

	<u>Minimum rental payments</u>
Year ending June 30:	
2016	\$ 678,851
2017	697,520
2018	716,701

The operating lease commitments are not recognized as a liability in the financial statements.

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(10) Net Assets

Temporarily restricted net assets as of June 30, 2015 and 2014 were available for the following purposes or periods:

	<u>2015</u>	<u>2014</u>
Purpose restrictions:		
Academic support	\$ 864,927	3,141,586
Student aid	3,117,836	3,648,333
Instruction and other	5,330,734	11,895,605
Time restrictions	3,779,953	3,936,965
Appreciation on real estate asset	630,000,000	610,000,000
Appreciation on endowment not yet appropriated	<u>31,792,253</u>	<u>34,771,131</u>
Total temporarily restricted net assets	<u>\$ 674,885,703</u>	<u>667,393,620</u>

In 2015, management performed an in-depth review of its temporarily restricted net asset class and determined that an additional \$9.8 million should be released from restriction as the Cooper union had previously met the donor restriction.

Permanently restricted net assets are restricted to investments in perpetuity, the income from which was expendable to support purposes as of June 30, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Specific purposes of The Cooper Union, principally instructional and student financial aid	\$ 61,311,940	56,958,702
General activities of The Cooper Union	<u>14,799,553</u>	<u>14,797,879</u>
Total permanently restricted net assets	<u>\$ 76,111,493</u>	<u>71,756,581</u>

The Cooper Union's endowment consists of approximately 487 donor-restricted individual funds established for a variety of purposes. There are no board-designated funds.

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. In addition to the real estate income associated with the Chrysler building, the annual 2015 and 2014 spending authorizations from the endowment funds were calculated at 5% of the average market value of the endowment over the previous five years ended June 30 unless an endowment fund's spending rate is specifically designated 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 use in support of the subsequent year's budget.

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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.

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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 provisions set forth by Financial Accounting Standards Board Accounting Standards Codification (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.

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, 2015 and 2014 were as follows:

	2015			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Endowment net assets, June 30, 2014	\$ (63,214)	645,934,733	71,756,581	717,628,100
Net investment return	32,872,257	16,514,098	—	49,386,355
Contributions, net	—	—	4,354,912	4,354,912
Distributions	(32,881,599)	—	—	(32,881,599)
Endowment net assets, June 30, 2015	<u>\$ (72,556)</u>	<u>662,448,831</u>	<u>76,111,493</u>	<u>738,487,768</u>

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	2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2013	\$ (136,215)	595,560,886	69,688,569	665,113,240
Net investment return	30,212,342	50,373,847	—	80,586,189
Contributions, net	—	—	2,068,012	2,068,012
Distributions	(30,139,341)	—	—	(30,139,341)
Endowment net assets, June 30, 2014	\$ (63,214)	645,934,733	71,756,581	717,628,100

(11) Functional Expenses

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

	2015			
	Allocated interest expense	Allocated depreciation and amortization expense	Direct expenses	Total
Program services:				
Instruction	\$ 4,220,470	4,273,272	19,008,329	27,502,071
Academic support	2,837,776	2,627,104	13,458,937	18,923,817
Public service	485,421	210,252	2,152,642	2,848,315
Research	172,791	—	851,490	1,024,281
Student services	1,087,662	320,074	5,379,523	6,787,259
Student aid	109,942	—	541,781	651,723
Auxiliary enterprises	642,561	550,812	1,043,503	2,236,876
Program services expenses	9,556,623	7,981,514	42,436,205	59,974,342
Supporting services:				
Management and general	2,311,380	368,145	11,179,719	13,859,244
Fundraising	679,488	120,932	3,343,915	4,144,335
Supporting services expenses	2,990,868	489,077	14,523,634	18,003,579
Total expenses	\$ 12,547,491	8,470,591	56,959,839	77,977,921

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2014				
	Allocated interest expense	Allocated depreciation and amortization expense	Direct expenses	Total
Program services:				
Instruction	\$ 3,419,529	4,587,869	18,595,527	26,602,925
Academic support	2,145,690	2,797,553	11,641,033	16,584,276
Public service	441,752	175,879	2,255,606	2,873,237
Research	113,647	—	671,818	785,465
Student services	850,112	271,209	5,025,387	6,146,708
Student aid	137,884	—	815,094	952,978
Auxiliary enterprises	587,893	564,822	928,616	2,081,331
Program services expenses	7,696,507	8,397,332	39,933,081	56,026,920
Supporting services:				
Management and general	1,885,925	222,518	11,088,201	13,196,644
Fundraising	690,068	52,519	4,072,593	4,815,180
Supporting services expenses	2,575,993	275,037	15,160,794	18,011,824
Total expenses	\$ 10,272,500	8,672,369	55,093,875	74,038,744

(12) 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 financial position of The Cooper Union.

As discussed in note 1, 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 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 to the financial statements. Under the settlement, The Cooper Union is allowed to continue its current scholarship model, but must 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.

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

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(13) Subsequent Events

In connection with the preparation of the consolidated financial statements, The Cooper Union evaluated events subsequent to June 30, 2015, and through March 30, 2016, which was the date the consolidated financial statements were available for issuance, and concluded that no additional disclosures are required.