Consolidated Financial Statements and Report of Independent Certified Public Accountants

The Cooper Union for the Advancement of Science and Art

June 30, 2019 and 2018

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated financial statements of The Cooper Union for the Advancement of Science and Art and its affiliates (collectively, the "College"), which comprise the consolidated balance sheets as of June 30, 2019 and 2018, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Grant Thornton

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, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, NY
December 20, 2019

The Cooper Union for the Advancement of Science and Art

CONSOLIDATED BALANCE SHEETS

As of June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 37,902,228	$ 31,134,043
Contributions receivable, net (Note D)	6,502,319	1,578,294
Other receivables, net	2,606,580	2,019,288
Investments (Notes B and C)	905,350,120	853,586,851
Prepaid expenses and other assets	1,494,277	4,189,642
Funds held by trustee (Notes B, G and H)	3,786,081	3,546,012
Lease issuance costs (Note G)	2,774,499	2,958,329
Loans to students, net of allowance for doubtful loans of $34,238 in 2019 and 2018	387,788	394,832
Plant assets, net (Note E)	142,498,574	147,562,234
Total assets	$ 1,103,302,466	$ 1,046,969,525
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 9,406,565	$ 7,682,088
Accrued interest on long-term loans	2,078,985	2,094,898
Liability under charitable trusts and annuity agreements	4,921,694	5,288,572
Accrued postretirement benefit costs (Note F)	22,089,161	31,795,274
Deferred revenue (Note G)	107,939,468	103,670,959
Long-term loans, net (Note H)	224,133,348	226,989,850
Total liabilities	370,569,221	377,521,641
Commitments and contingencies (Notes H, I and L)		
NET (DEFICIT) ASSETS (Note J)		
Without donor restrictions	(146,948,870)	(173,921,591)
With donor restrictions		
Restricted as to purpose or time	787,879,949	756,977,340
Restricted in perpetuity	91,802,166	86,392,135
Total net assets	732,733,245	669,447,884
Total liabilities and net assets	$ 1,103,302,466	$ 1,046,969,525

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

The Cooper Union for the Advancement of Science and Art

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2019, with comparative totals for the year ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Operations				
Revenues and other support:				
Investment return utilized for operations (Notes B and J)	$ 63,808,524	$ -	$ 63,808,524	$ 49,966,601
Student tuition and fees, net of tuition discount	13,540,971	-	13,540,971	12,302,857
Contributions	8,743,822	7,940,712	16,684,534	9,304,850
Government grants, contracts, and appropriations	562,176	-	562,176	568,787
Rental income (Notes G and I)	3,154,544	-	3,154,544	3,142,681
Auxiliary enterprises	2,406,880	-	2,406,880	2,361,966
Other revenue	661,103	-	661,103	507,468
Net assets released from restrictions	1,799,001	(1,799,001)	-	-
Total revenues and other support	94,677,021	6,141,711	100,818,732	78,155,210
Expenses (Note K):				
Salaries	28,423,446	-	28,423,446	29,489,201
Employee benefits	10,382,074	-	10,382,074	11,352,346
Interest (Note H)	12,912,115	-	12,912,115	12,975,460
Depreciation and amortization	7,955,174	-	7,955,174	8,121,365
Occupancy and other related expenses	6,407,726	-	6,407,726	5,194,921
Supplies, services, and other office expenses	7,770,645	-	7,770,645	6,924,576
Other operating expenses	4,583,325	-	4,583,325	4,242,295
Total expenses	78,434,505	-	78,434,505	78,300,164
Excess (deficiency) of operating revenues over operating expenses, before nonoperating activities and other changes	16,242,516	6,141,711	22,384,227	(144,954)
Nonoperating activities and other changes				
Net investment return (Note B)	59,498,007	30,092,801	89,590,808	71,289,553
Net investment return utilized in operations (Notes B and J)	(59,498,007)	(4,310,517)	(63,808,524)	(49,966,601)
Contributions for endowment	-	4,460,953	4,460,953	2,639,467
Net assets released from restrictions for capital and other reclassifications (Note J)	72,308	(72,308)	-	-
Amounts not yet recognized as a component of net periodic postretirement cost (Note F)	10,043,637	-	10,043,637	2,972,880
Gain on insurance recoveries (Note E)	614,260	-	614,260	-
Change in net assets	26,972,721	36,312,640	63,285,361	26,790,345
Net (deficit) assets at beginning of year	(173,921,591)	843,369,475	669,447,884	642,657,539
Net (deficit) assets at end of year	$ (146,948,870)	$ 879,682,115	$ 732,733,245	$ 669,447,884

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

The Cooper Union for the Advancement of Science and Art

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2018
Operations			
Revenues and other support:			
Investment return utilized for operations (Notes B and J)	$ 49,966,601	$ -	$ 49,966,601
Student tuition and fees, net of tuition discount	12,302,857	-	12,302,857
Contributions	3,843,456	5,461,394	9,304,850
Government grants, contracts, and appropriations	568,787	-	568,787
Rental income (Notes G and I)	3,142,681	-	3,142,681
Auxiliary enterprises	2,361,966	-	2,361,966
Other revenue	507,468	-	507,468
Net assets released from restrictions	1,372,320	(1,372,320)	-
Total revenues and other support	74,066,136	4,089,074	78,155,210
Expenses (Note K):			
Salaries	29,489,201	-	29,489,201
Employee benefits	11,352,346	-	11,352,346
Interest (Note H)	12,975,460	-	12,975,460
Depreciation and amortization	8,121,365	-	8,121,365
Occupancy and other related expenses	5,194,921	-	5,194,921
Supplies, services, and other office expenses	6,924,576	-	6,924,576
Other operating expenses	4,242,295	-	4,242,295
Total expenses	78,300,164	-	78,300,164
(Deficiency) excess of operating revenues over operating expenses, before nonoperating activities and other changes	(4,234,028)	4,089,074	(144,954)
Nonoperating activities and other changes			
Net investment return (Note B)	45,569,917	25,719,636	71,289,553
Net investment return utilized in operations (Notes B and J)	(45,569,917)	(4,396,684)	(49,966,601)
Contributions for endowment	-	2,639,467	2,639,467
Net assets released from restrictions for capital and other reclassifications (Note J)	399,229	(399,229)	-
Amounts not yet recognized as a component of net periodic postretirement cost (Note F)	2,972,880	-	2,972,880
Change in net assets	(861,919)	27,652,264	26,790,345
Net (deficit) assets at beginning of year	(173,059,672)	815,717,211	642,657,539
Net (deficit) assets at end of year	$ (173,921,591)	$ 843,369,475	$ 669,447,884

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

The Cooper Union for the Advancement of Science and Art

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Changes in net assets	$ 63,285,361	$ 26,790,345
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,955,174	8,121,365
Amortization of deferred issuance costs	580,610	604,746
Net unrealized and realized gains on investments	(31,233,153)	(24,922,061)
Change in value of split-interest agreements	(558,478)	(296,443)
Contributions for donor-restricted endowment	(4,460,953)	(2,639,467)
Disposal of building improvements	767,825	-
Changes in assets and liabilities:		
Contributions receivable, net of amounts classified as financing activities	(5,083,810)	(365,716)
Other receivables	(587,292)	(862,561)
Prepaid expenses and other assets	2,695,365	(1,387,055)
Accounts payable and accrued expenses	1,708,565	674,918
Deferred revenue	4,268,509	(608,406)
Accrued postretirement benefit costs	(9,706,113)	(1,226,173)
Net cash provided by operating activities	29,631,610	3,883,492
Cash flows from investing activities		
Purchases of investments	(51,179,483)	(41,645,254)
Proceeds from sales of investments	31,320,402	33,944,624
Collection of loans from students	7,044	6,893
Purchases of plant assets	(3,659,340)	(1,516,441)
Net cash used in investing activities	(23,511,377)	(9,210,178)
Cash flows from financing activities		
Contributions for donor-restricted endowment	4,460,953	2,639,467
Change in contributions receivable related to financing activities	159,785	(86,040)
(Additions to) use of interest reserve fund	(240,069)	149,579
Principal payments on loans	(3,253,282)	-
Proceeds of new charitable gift annuities	-	238,686
Payments to beneficiaries under charitable annuities	(479,435)	(332,725)
Net cash provided by financing activities	647,952	2,608,967
Net increase (decrease) in cash and cash equivalents	6,768,185	(2,717,719)
Cash and cash equivalents at beginning of year	31,134,043	33,851,762
Cash and cash equivalents at end of year	$ 37,902,228	$ 31,134,043
Supplemental cash flow information:		
Cash paid during the year for interest	$ 12,928,029	$ 12,975,460

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

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

The College was founded in 1859 through the bequest of Peter Cooper, a noted industrialist and philanthropist. The College was incorporated under a special act of the New York State Legislature in 1859 and is subject to the jurisdiction of the Regents of the University of the State of New York. It offers degree programs in architecture, art, and engineering. The College provided full-tuition scholarships to all students through the year ended June 30, 2014. In April 2013, the Board of Trustees of The Cooper Union voted to reduce the baseline scholarship to a minimum of 50% for undergraduate students beginning with the class entering in fall 2014. The College designated a tuition rate of $44,550 and $43,250 for full-time undergraduate students for the years ended June 30, 2019 and 2018, respectively.

The C.V. Starr Research Foundation at The Cooper Union for the Advancement of Science and Art, Inc. is an affiliated, not-for-profit corporation, which was founded in February 1976 for the purpose of enhancing the quality of education at the College by promoting, encouraging, and supporting scientific investigation and research by faculty and students.

The College is the sole stockholder of Astor Place, a corporation organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof less expenses to the College.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of the College, the C.V. Starr Research Foundation at The Cooper Union for the Advancement of Science and Art, Inc., and Astor Place. All significant inter-organizational balances and transactions have been eliminated in consolidation.

Summary of Significant Accounting Policies

Basis of Presentation

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

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as "net assets without donor restrictions" and "net assets with donor restrictions";

- Modifying the presentation of underwater endowment funds and related disclosures;

- Requiring the use of the placed in service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;

- Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses; and,
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

ASU 2016-14 is effective for the College's fiscal year beginning July 1, 2018, and the College has applied the amendments retrospectively as required by the standard. A presentation of net assets as of June 30, 2018 and 2017, and as required under ASU 2016-14 follows:

		June 30, 2018 Presentation under ASU 2016-14		
	As Previously Presented	Without Donor Restrictions	With Donor Restrictions	Total
Net assets:				
Unrestricted	$ (173,921,591)	$ (173,921,591)	$ -	$ (173,921,591)
Temporarily restricted	756,977,340	-	756,977,340	756,977,340
Permanently restricted	86,392,135	-	86,392,135	86,392,135
Total net assets	$ 669,447,884	$ (173,921,591)	$ 843,369,475	$ 669,447,884

		June 30, 2017 Presentation under ASU 2016-14		
	As Previously Presented	Without Donor Restrictions	With Donor Restrictions	Total
Net assets:				
Unrestricted	$ (173,059,672)	$ (173,059,672)	$ -	$ (173,059,672)
Temporarily restricted	735,964,543	-	735,964,543	735,964,543
Permanently restricted	79,752,668	-	79,752,668	79,752,668
Total net assets	$ 642,657,539	$ (173,059,672)	$ 815,717,211	$ 642,657,539

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

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

Net Assets with donor restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of The Cooper Union or the passage of time. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reported as net assets without donor restrictions. Expirations of temporary restrictions on prior year net asset balances are reported as net assets released from restrictions.

Net assets with donor restrictions also include those net assets subject to donor-imposed stipulations that they be maintained in perpetuity by The Cooper Union. Generally, the donors of these assets permit The Cooper Union to use all or part of the income earned on related investments for general or specific purposes.

Accounting for Uncertainty in Income Taxes

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

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

The College is exempt from Federal and New York State income taxation by virtue of being an organization described in Section 501(c)(3) of the IRC and similar provisions of the New York State tax code. Nevertheless, the College may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. The College believes that there are no material uncertain tax positions within its 2019 and 2018 consolidated financial statements.

The Tax Cuts and Jobs Act passed by Congress in 2017 imposes a 1.4 percent excise tax on specifically defined net investment income of private tax-exempt universities which meet certain criteria. The College meets those criteria as currently defined, and as a result has made a $910,000 provision for the tax in its 2019 consolidated financial statements. The excise tax has been recognized as a reduction of the College's investment return.

Cash and Cash Equivalents

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

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 estimated future cash flows using a risk-adjusted rate, which articulates with the collection period of the respective pledge. In addition, an allowance for contributions receivable estimated to be uncollectible is provided.

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

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

Depreciation and Amortization

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

Use of Estimates

The preparation of 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 the fair value of real estate properties and non-exchange traded alternative investments, the useful lives assigned to fixed assets, accrued postretirement benefit obligations, the allowance for doubtful loans and contributions receivable, and liabilities under charitable trusts and annuity agreements. Actual results could differ from such estimates.

Fair Value Measurements

Fair value is defined as the exchange price that would be received 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 to access at the measurement date.

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

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

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

Fair Value of Financial Instruments

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

Deferred Giving Arrangements

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

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

The discount rates used in the calculation of obligations due under charitable trusts and annuity agreements ranged each year from 1.0% to 8.4% at June 30, 2019 and June 30, 2018. State-mandated insurance reserves related to charitable gift annuity agreements are maintained at the required level.

Nonoperating Activities

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

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update "ASU") No. 2014-09, Revenue from Contracts with Customers, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, which deferred the effective date of ASU 2014-09 by one year. The guidance is effective for the College's fiscal year 2020. The guidance permits the use of either a retrospective or cumulative effect transition method. The College is currently evaluating the new guidance and has not determined the impact this standard may have on the consolidated financial statements nor decided upon the method of adoption.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the balance sheet for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. In October 2019, the FASB approved a proposal to defer the effective date of ASU 2016-02 by one year. The guidance is effective for the College's fiscal year 2022. Early adoption is permitted. The College is in the process of evaluating the impact this standard will have on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires organizations to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If the agreement (or a referenced document) includes both, the recipient is not entitled to the transferred assets (or a future transfer of assets) until it has overcome the barrier(s) in the agreement. For recipients, the effective date of the amendments will align with *Revenue from Contracts with Customers*: effective for annual periods beginning after December 15, 2018 (the College's fiscal year 2020). The College is currently evaluating the new guidance and has not determined the impact this standard may have on its consolidated financial statements nor decided upon the method of adoption.

Subsequent Events

The College evaluated its June 30, 2019 consolidated financial statements for subsequent events through December 20, 2019, the date the consolidated financial statements were available for issuance. The College is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

NOTE B - INVESTMENTS

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

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

Also included in investments are charitable trusts and gift annuities amounting to $7,333,690 and $8,040,832 as of June 30, 2019 and 2018, respectively. The Cooper Union's liability under these charitable trusts and gift annuities totaled $4,119,021 and $4,456,290 as of June 30, 2019 and 2018, respectively.

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

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

The components of investment return for the years ended June 30, 2019 and 2018 follows:

	2019	2018
Real estate rental income, net (Note C)	$ 58,182,470	$ 45,231,366
Interest and dividends	2,015,539	1,868,515
Unrealized gains on real estate investments	20,600,000	15,170,000
Unrealized gains on other investments	7,458,975	5,662,075
Realized gains on investments	3,174,178	4,089,986
Investment expenses	(1,840,354)	(732,389)
Net investment return	89,590,808	71,289,553
Investment returns classified amongst net assets as follows:		
With donor restrictions	30,092,801	25,719,636
Amounts without donor restrictions utilized for operations	59,498,007	45,569,917
Excess of investment return over amounts utilized for operations and amounts classified as net assets with donor restrictions	$ -	$ -

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

The following tables present The Cooper Union's fair value hierarchy for investments as of June 30, 2019 and 2018. Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets:

	2019 Fair Value Measurements				# of	Redemption or	Days
	Fair Value	Level 1	Level 2	Level 3	Funds	Liquidation Frequency	Notice
Cash, cash equivalents, and short-term investments held by investment managers and trustees, including receivables due from broker of $6,364	$ 1,805,285	$ 1,805,285	$ -	$ -			
Corporate bonds	16,262,655	-	16,262,655	-			
Equity securities:							
U.S. equity	35,895,604	35,895,604	-	-			
International equity	13,412,386	13,412,386	-	-			
Mutual funds	32,389,373	32,389,373	-	-			
Real estate	724,540,000	-	-	724,540,000			
Other	98,656	-	-	98,656			
Subtotal	824,403,959	83,502,648	16,262,655	724,638,656			
Investments valued at NAV:							
Hedge funds:							
Long/short equity	8,001,110	-	-	-	2	Quarterly	30
Absolute return	16,836,582	-	-	-	3	Quarterly	15-65
Funds of funds:							
Absolute return	6,453,442	-	-	-	1	Quarterly	60-90
Limited partnerships:							
Global equity	13,072,530	-	-	-	1	Monthly	6
Absolute return	8,090,622	-	-	-	2	Quarterly, Annually	45-65
Venture capital funds	9,206,067	-	-	-	2	Illiquid	N/A
Growth-stage internet and mobile companies	7,431,918	-	-	-	3	Illiquid	N/A
Limited partnerships	11,784,495	-	-	-	5	Illiquid	N/A
Portfolio companies	69,395	-	-	-	1	Illiquid	N/A
Total investments	$ 905,350,120	$ 83,502,648	$ 16,262,655	$ 724,638,656	20		

	2018 Fair Value Measurements				# of	Redemption or	Days
	Fair Value	Level 1	Level 2	Level 3	Funds	Liquidation Frequency	Notice
Cash, cash equivalents, and short-term investments held by investment managers and trustees, including receivables due from broker of $18,352	$ 1,425,418	$ 1,425,418	$ -	$ -			
Corporate bonds	2,600,331	-	2,600,331	-			
Equity securities:							
U.S. equity	43,368,928	43,368,928	-	-			
International equity	1,600,869	1,600,869	-	-			
Mutual funds	24,587,803	24,587,803	-	-			
Real estate	703,940,000	-	-	703,940,000			
Other	100,191	-	-	100,191			
Subtotal	777,623,540	70,983,018	2,600,331	704,040,191			
Investments valued at NAV:							
Hedge funds:							
Long/short equity	2,632,434	-	-	-	1	Quarterly	30
Absolute return	23,096,402	-	-	-	3	Quarterly	15-65
Funds of funds:							
Absolute return	6,851,224	-	-	-	1	Quarterly	60-90
Limited partnerships:							
Including receivables due from broker of $12,676							
Global equity	13,557,620	-	-	-	1	Monthly	6
Absolute return	8,008,336	-	-	-	2	Quarterly, Annually	45-65
Venture capital funds	5,806,202	-	-	-	2	Illiquid	N/A
Growth-stage internet and mobile companies	5,578,979	-	-	-	1	Illiquid	N/A
Limited partnerships	9,672,812	-	-	-	5	Illiquid	N/A
Portfolio companies	759,302	-	-	-	1	Illiquid	N/A
Total investments	$ 853,586,851	$ 70,983,018	$ 2,600,331	$ 704,040,191	17		

The Cooper Union had $22,683,787 and $8,756,456 of non-exchange traded assets that were subject to lock-up provisions as of June 30, 2019 and 2018, respectively. The remaining lock-up period of these assets ranges from 2 to 8 years. The Cooper Union's unfunded capital commitments approximated $8.3 million and $2.3 million as of June 30, 2019 and 2018, respectively.

The following tables present The Cooper Union's activity for the years ended June 30, 2019 and 2018 for investments measured at fair value on a recurring basis using unobservable inputs (Level 3):

	2019				
	Balance at June 30, 2018	Net Appreciation in Fair Value of Investments	Sales/ Redemptions	Purchases and Additions	Balance at June 30, 2019
Real estate and other	$ 704,040,191	$ 20,600,000	$ (1,535)	$ -	$ 724,638,656

	2018				
	Balance at June 30, 2017	Net Appreciation in Fair Value of Investments	Sales/ Redemptions	Purchases and Additions	Balance at June 30, 2018
Real estate and other	$ 688,894,971	$ 15,170,000	$ (24,780)	$ -	$ 704,040,191

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 2019 or 2018.

NOTE C - REAL ESTATE INVESTMENTS

	2019	2018
Chrysler Building	$ 720,600,000	$ 700,600,000
51 Astor Place	2,390,000	2,030,000
22-36 Astor Place	1,550,000	1,310,000
Real estate investments	$ 724,540,000	$ 703,940,000

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 $720,600,000 and $700,600,000 as of June 30, 2019 and 2018, 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. The land under the Chrysler building has been valued at the historical cost determined on the date of gift and totals $600,000 as of June 30, 2019 and 2018.

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

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

- Base annual rentals of $7,750,000 through December 31, 2017 (see paragraph below for rentals derived thereafter).

- Additional rent through December 31, 2017 in an amount equal to 10% of the tenant's adjusted gross income that exceeds $50,000,000. Adjusted gross income is defined as gross receipts, less tenant's costs allocable to each period. The additional rent for the year ended June 30, 2018 totaled $441,603.

- An amount equivalent to the real estate taxes, which would be payable on the real property were it subject to taxation. Such amount is based on New York City's assessment of the value of the land and building and the existing tax rate then in effect. For the years ended June 30, 2019 and 2018, this tax equivalency payment totaled $20,969,466 and $20,669,817, respectively.

Contemporaneous with the October 2006 execution of the MetLife loan (Note H), The Cooper Union entered into a modification of the Chrysler Building lease. In lieu of a rent reset based upon a percentage of the then fair value of the land, the amended terms fixed the 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 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 with a developer that expires in 2109. The developer demolished the then-existing structure and constructed a new 12-story building on the property. The ground lease was amended and restated in January 2008, and further amended in October 2009, July 2011, and January 2012. Legal title to both the land and the new building rests with The Cooper Union.

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

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

22-36 Astor Place

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

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

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

Under the terms of the lease agreements for both 51 Astor Place and 26 Astor Place, the developers (tenants) pay to The Cooper Union an amount equivalent to the real estate taxes payable on the real property (land and building) were it subject to taxation. Based on an agreement with New York City, beginning in October 2013, The Cooper Union is required to pay the city an amount equal to 50% of those tax equivalent payments, which totaled $4,694,304 and $3,976,624 for the years ended June 30, 2019 and 2018, respectively. The net amount is recognized as real estate rental income.

NOTE D - CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, as of June 30, 2019 and 2018 are scheduled to be collected as follows:

	2019	2018
Year ended June 30:		
Less than one year	$ 4,225,301	$ 1,253,686
One year to three years	2,554,977	442,782
Contributions receivable, gross	6,780,278	1,696,468
Less: Allowance for uncollectible contributions receivable	(151,968)	(83,621)
Adjustment to reflect contributions receivable at present value (rates ranging from 0.08%-5.02%)	(125,991)	(34,553)
Contributions receivable, net	$ 6,502,319	$ 1,578,294

NOTE E - PLANT ASSETS, NET

Plant assets, net, as of June 30, 2019 and 2018 consist of the following:

	2019	2018
Land	$ 150,000	$ 150,000
Buildings and building improvements	235,552,825	235,594,233
Software and equipment	35,766,043	34,921,501
Leasehold improvements	9,539,275	7,834,807
Plant assets, gross	281,008,143	278,500,541
Less: Accumulated depreciation and amortization	(138,509,569)	(130,938,307)
Plant assets, net	$ 142,498,574	$ 147,562,234

Land consists solely of the property at the location of the Foundation Building on 7 East 7th Street in New York City, reported at original value of $150,000 as of June 30, 2019 and 2018.

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

Building and building improvements include the Foundation Building at 7 East 7th Street, the academic building at 41 Cooper Square, the President's Residence (recorded at $1,510,213 and $1,651,953 at June 30, 2019 and 2018, respectively, which is subject to a gift annuity agreement with a liability of $802,673 and $832,283 at June 30, 2019 and 2018, respectively), and the residence hall built on the property leased at 29 Third Avenue in New York City.

On February 2, 2019, extreme water leakage from a ruptured pipe in the 41 Cooper Square building caused extensive property damage. Initial estimates of the loss approximated $7 million. The costs of the reparation work and property replacement, which are still in process as of June 30, 2019, totaled $3,860,890 through that date. The consolidated financial statements also reflect insurance recovery proceeds for the same amount, less a $10,000 property insurance deductible. The College recognized a gain from insurance recoveries of $614,260 in the 2019 consolidated statement of activities.

NOTE F - 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, 2019 and 2018 amounted to $1,984,812 and $2,053,532, respectively. The Cooper Union also provides medical insurance benefits for its retired employees through a defined benefit plan. The following provides information about the plan's funded status reconciled with the accrued postretirement benefit obligation reported in The Cooper Union's consolidated balance sheets as of June 30, 2019 and 2018:

	2019	2018
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 31,795,274	$ 33,021,447
Service cost	742,631	1,297,774
Interest cost	780,498	1,195,449
Actuarial gain	(10,534,675)	(2,848,949)
Benefits paid	(694,567)	(870,447)
Benefit obligation at end of year	22,089,161	31,795,274
Change in plan assets:		
Employer contribution	694,567	870,447
Benefits paid	(694,567)	(870,447)
Fair value of plan assets at end of year	-	-
Funded status	$ (22,089,161)	$ (31,795,274)

Cumulative amounts recognized in net assets without donor restrictions and not yet recognized in net periodic benefit cost as of June 30, 2019 and 2018 consist of:

	2019	2018
Net actuarial (gain) loss	$ (6,911,703)	$ 3,131,934

The following table provides the components of net periodic benefit cost for the plan for 2019 and 2018:

	2019	2018
Components of net periodic benefit cost		
Service cost	$ 742,631	$ 1,297,774
Interest cost	780,498	1,195,449
Amortization of actuarial (gain) loss	(491,038)	123,931
Net periodic benefit cost	$ 1,032,091	$ 2,617,154

Amounts recognized in changes in net assets without donor restrictions for the years ended June 30, 2019 and 2018 consist of:

	2019	2018
Net actuarial gain	$ (10,534,675)	$ (2,848,949)
Amortization of net gain (loss)	491,038	(123,931)
Amounts not yet recognized as a component of net periodic benefit cost	$ (10,043,637)	$ (2,972,880)

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

	2019	2018
Discount rate	3.50%	4.10%
Rate of compensation increase	N/A	N/A

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

	2019	2018
Discount rate	4.10%	3.80%
Rate of compensation increase	N/A	N/A

For measurement purposes, 6.6%/5.0% and 23.1%/25.0% pre-Medicare/post-Medicare annual rate of increase in the per capita cost of covered healthcare benefits were assumed for the years ended June 30, 2019 and 2018, respectively. The rates for the year ended June 30, 2019 reflect actual reported 2020 premium equivalent rates. The 2019 rates were assumed to decrease to ultimate rates of 4.00% for both pre-Medicare and post-Medicare by 2093 and remain at that level thereafter. The 2018 rates were assumed to decrease to ultimate rates of 4.0% and 3.9% for pre-Medicare and post-Medicare, respectively, by 2074 and remain 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	$ 388,938	$ (291,342)
Effect on accrued postretirement benefit obligation	4,467,631	(3,471,618)

The estimated net actuarial loss that will be amortized into net periodic benefit cost during fiscal 2020 is $0.

The projected premium payments (i.e., employer contributions, which are equal to benefits paid) in each fiscal year from 2020 through 2028 are as follows:

Year ending June 30,	
2020	$ 719,098
2021	763,380
2022	786,368
2023	825,433
2024	844,448
2025 through 2028 (in aggregate)	4,658,676
Projected premium payments	$ 8,597,403

NOTE G - PREPAID EXPENSES AND OTHER ASSETS AND DEFERRED REVENUE

During the year ended June 30, 2008, in connection with the 99-year lease of 51 Astor Place (Note C), The Cooper Union borrowed $96,970,000 from an affiliate of the developer at a stated annual interest rate of 5.53% and a term expiring July 15, 2031. The loan is repayable solely out of rental payments due from the developer to the College under the ground lease. The loan is wholly nonrecourse to the College, which is held harmless if the developer defaults on the debt service payments. Upon delivery of possession to the developer, which occurred on July 10, 2009, the College reclassified the debt to deferred revenue as the College is held harmless if the developer defaults on the debt service payments and the College no longer has any obligation to make debt service payments. The deferred revenue is being amortized as rental income over the life of the 99-year lease. The balance of $87,175,050 and $88,154,545 is included in deferred revenue at June 30, 2019 and 2018, 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 remaining unamortized costs of $2,424,008 and $2,603,564 as of June 30, 2019 and 2018, respectively, net of accumulated amortization of $2,064,896 and $1,885,340 as of June 30, 2019 and 2018, respectively.

During the year ended June 30, 2004, under the terms of a 99-year lease of 26 Astor Place (further discussed in Note C), The Cooper Union received $11,000,000, which was recognized as deferred revenue. The deferred revenue is being amortized as rental income over the life of the lease. The unamortized balance of $9,204,082 and $9,316,327, net of accumulated amortization of $1,795,918 and $1,683,673 as of June 30, 2019 and 2018, respectively, is included in deferred revenue at June 30, 2019 and 2018, 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 remaining unamortized costs of $350,491 and $354,765 as of June 30, 2019 and 2018, respectively, net of accumulated amortization of $72,663 and $68,389 as of June 30, 2019 and 2018, respectively.

Prepaid expenses and other assets and deferred revenue as of June 30, 2019 and 2018 consist of the following:

	Prepaid Expenses and Other Assets		Deferred Revenue	
	2019	2018	2019	2018
26 Astor Place lease	$ 350,491	$ 354,765	$ 9,204,082	$ 9,316,327
51 Astor Place lease	2,424,008	2,603,564	87,175,050	88,154,545
Lease issuance costs	2,774,499	2,958,329	96,379,132	97,470,872
Debt service reserve fund	2,702,960	2,702,960	-	-
Interest reserve fund	1,083,121	843,052	-	-
Funds held by trustee	3,786,081	3,546,012	-	-
Other deferred items	1,494,277	4,189,642	11,560,336	6,200,087
	$ 8,054,857	$ 10,693,983	$ 107,939,468	$ 103,670,959

NOTE H - LONG-TERM LOANS, NET

In October 2006, the College entered into a $175,000,000 nonrecourse loan with Metropolitan Life Insurance Company (MetLife) to fund future operations, build a new academic building, and retire existing debt. The term of the loan is 30 years with an annual interest rate of 5.87%. The loan is secured by a first priority mortgage on the College's fee interest in the Chrysler Building property and an assignment of all of the College's rights to the payment of 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 remaining unamortized debt issuance costs totaled $3,584,199 and $3,795,034 as of June 30, 2019 and 2018, respectively, net of amortization of $2,740,858 and $2,530,023 as of June 30, 2019 and 2018, respectively.

In June 2014, The Cooper Union signed a commitment letter with a private lender for the securitization of tax equivalency payments to be received in accordance with the lease of 51 Astor Place, resulting in a $58,760,000 loan which closed on August 27, 2014. Of the $58,760,000 in loan proceeds, $2,702,960 was deposited into a debt service reserve fund, $2,149,939 was deposited into an interest reserve fund (balance of $1,083,121 and $843,052 at June 30, 2019 and 2018, respectively), and $3,035,066 was used to pay costs associated with entering into the loan. In addition to the debt issuance costs paid from loan proceeds, the College paid $683,828 directly in 2014, for total debt issuance costs of $3,718,894, which are being amortized over the life of the loan. The unamortized balance of debt issuance costs totaled $2,789,171 and $2,975,116 as of June 30, 2019 and 2018, respectively, net of amortization of $929,724 and $743,779 as of June 30, 2019 and 2018, respectively. The term of the loan is 20 years with an annual interest rate of 4.60%. The lender has full recourse to the College in the event that the tax equivalency payments are not sufficient to pay the debt service.

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

	Principal	Interest	Total
Year ending June 30:			
2020	$ 5,842,230	$ 12,628,974	$ 18,471,204
2021	6,194,547	12,276,656	18,471,203
2022	6,568,111	11,903,092	18,471,203
2023	6,964,203	11,507,000	18,471,203
2024	7,384,182	11,087,021	18,471,203
2025 and thereafter (in aggregate)	197,553,445	81,824,341	279,377,786
	230,506,718	141,227,084	371,733,802
Less: Unamortized loan issuance costs	(6,373,370)	-	(6,373,370)
Totals	$ 224,133,348	$ 141,227,084	$ 365,360,432

Interest expense on all long-term debt totaled $12,912,115 and $12,975,460 for the years ended June 30, 2019 and 2018, respectively.

NOTE I - 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 totaled $1,630,518 and $1,367,186 for the years ended June 30, 2019 and 2018, respectively. Sublease rental income for these leases totaled $1,599,591 and $1,392,806 for the years ended June 30, 2019 and 2018, 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, 2019:

	Sublease Rental Income	Minimum Rental Payments
Year ending June 30:		
2020	$ 1,650,122	$ 950,000
2021	1,735,080	965,000
2022	1,825,096	980,000
2023	1,719,006	995,000
2024	647,094	1,010,000
2025 and thereafter (in aggregate)	1,521,452	15,613,333

In addition, The Cooper Union leases, under an operating lease agreement, office space at 30 Cooper Square in New York City. This operating lease originally commenced on July 1, 1992, and was renewed on January 1, 2019. It will expire on December 31, 2028. Rent expense for this lease totaled $505,000 and $656,123 for the years ended June 30, 2019 and 2018, respectively.

The following is a schedule by year of future minimum rental payments due, including future rent escalations, for the 30 Cooper Square property as of June 30, 2019:

	Minimum Rental Payments
Year ending June 30:	
2020	$ 417,909
2021	428,357
2022	439,066
2023	450,043
2024	461,294
2025 and thereafter (in aggregate)	2,221,151

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

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

NOTE J - NET ASSETS

Net assets with donor restrictions as of June 30, 2019 and 2018 are available for the following purposes or periods:

	2019	2018
Purpose restrictions:		
Academic support	$ 982,179	$ 1,719,848
Student aid	3,240,586	3,778,442
Instruction and other	13,876,599	7,480,747
Time restricted	3,704,094	4,074,998
	21,803,458	17,054,035
Donor-restricted endowment funds:		
Donated corpus (original gift)	91,802,165	86,392,135
Appreciation on real estate asset	720,000,000	700,000,000
Accumulated earnings on endowment not yet appropriated for expenditure	46,076,492	39,923,305
	857,878,657	826,315,440
Total net assets with donor restrictions	$ 879,682,115	$ 843,369,475

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

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

The Cooper Union compares the performance of its investments against several benchmarks, including its asset allocation spending model policy index. In addition to the real estate income associated with the Chrysler building, the annual 2019 and 2018 spending authorizations from the endowment funds were calculated at 4% and 4.25%, respectively, of the average fair value of the endowment over the previous five years ended June 30th unless an endowment fund's spending rate is specifically stipulated otherwise by a donor. Using the latest audited financial statements, the calculation is performed during the budgeting process and the withdrawal request is proposed to the Board of Trustees for approval for use in support of the subsequent year's budget.

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

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

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

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of permanent duration. In accordance with US GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no underwater endowments as of June 30, 2019 and 2018.

Donor-restricted amounts reported below include term endowments and accumulated earnings reported as net assets with donor restrictions.

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

2019	Without Donor Restrictions	With Donor Restrictions: Accumulated Earnings	With Donor Restrictions: Historical Value	Total
Endowment net assets, June 30, 2018	$ -	$ 739,923,305	$ 86,392,135	$ 826,315,440
Net investment return	52,717,316	30,469,654	-	83,186,970
Contributions, net	-	-	4,460,953	4,460,953
Distributions	(52,717,316)	(4,316,467)	-	(57,033,783)
Reclassifications	-	-	949,077	949,077
Endowment net assets, June 30, 2019	$ -	$ 766,076,492	$ 91,802,165	$ 857,878,657

2018	Without Donor Restrictions	With Donor Restrictions: Accumulated Earnings	With Donor Restrictions: Historical Value	Total
Endowment net assets, June 30, 2017	$ 52,302	$ 719,114,465	$ 79,752,668	$ 798,919,435
Net investment return	41,236,420	25,153,222	-	66,389,642
Contributions, net	-	-	2,639,467	2,639,467
Distributions	(41,236,420)	(4,396,684)	-	(45,633,104)
Reclassifications	(52,302)	52,302	4,000,000	4,000,000
Endowment net assets, June 30, 2018	$ -	$ 739,923,305	$ 86,392,135	$ 826,315,440

During the year ended June 30, 2019, The Cooper Union reclassified $949,077 from non-endowment-related net assets to donor-restricted endowment net assets in accordance with donor stipulations, and this transfer has been reflected within the reclassifications line in the table above.

During the year ended June 30, 2018, The Cooper Union reclassified $4,000,000 from non-endowment-related net assets with donor restrictions to donor-restricted endowment net assets in accordance with donor stipulations, and this transfer has been reflected within the reclassifications line in the table above.

NOTE K - FUNCTIONAL EXPENSES

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

The following table presents the College's expenses by functional and natural expense category for the year ended June 30, 2019, with comparative totals for the year ended June 30, 2018:

	Instruction	Academic Support	Public Services	Student Services	Auxiliary Enterprises	Management and General	Fundraising	2019 Total	2018 Total
Salaries	$ 11,895,727	$ 8,642,695	$ 1,270,694	$ 2,234,786	$ 85,842	$ 2,993,039	$ 1,300,663	$ 28,423,446	$ 29,489,201
Employee benefits	4,115,277	2,890,374	223,866	1,041,932	44,310	1,419,390	646,925	10,382,074	11,352,346
Interest	6,577,328	4,948,775	213,023	261,032	271,847	512,954	127,156	12,912,115	12,975,460
Depreciation and amortization	3,867,910	2,949,080	220,871	117,083	438,179	220,408	141,643	7,955,174	8,121,365
Occupancy and other related expenses	1,964,654	1,524,728	177,169	599,983	43,877	1,935,520	161,795	6,407,726	5,194,921
Supplies, services, and other office expenses	896,033	1,753,924	997,723	575,189	-	3,061,468	486,308	7,770,645	6,924,576
Other operating expenses	907,503	1,217,965	268,356	1,052,844	-	1,029,366	107,291	4,583,325	4,242,295
	$ 30,224,432	$ 23,927,541	$ 3,371,702	$ 5,882,849	$ 884,055	$ 11,172,145	$ 2,971,781	$ 78,434,505	$ 78,300,164

NOTE L - CONTINGENCIES

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

As discussed in Note A, The Cooper Union historically provided 100% tuition scholarships to undergraduate students. Starting with the class enrolling in September 2014, the institution began providing 50% tuition scholarships to all undergraduate students and additional aid to those students with financial need. It continues to provide 100% tuition scholarships to Pell-eligible students. Based on an interpretation of the institution's charter that it requires free tuition, a lawsuit was filed against 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 consolidated financial statements. Under the settlement, The Cooper Union is allowed to continue its current scholarship model, but was required to make a good-faith effort to develop a plan by January 2018 to return to a sustainable, full-tuition scholarship model that maintains The Cooper Union's strong reputation for academic quality in its art, architecture and engineering programs at their historic levels of enrollment. On January 15, 2018, The Cooper Union submitted this plan, under the title "Recommended Plan to Return to Full-Tuition Scholarships", to the institution's Board of Trustees and the New York State Office of the Attorney General. The Board of Trustees reviewed the plan, amended it, and on March 14, 2018 ratified the new plan.

NOTE M – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the College's available financial assets as of June 30, 2019:

Financial assets as of June 30, 2019:	
Cash and cash equivalents	$ 37,902,228
Contributions receivable, net	6,502,319
Other receivables	2,606,580
Investments	905,350,120
Funds held by trustee	3,786,081
Loans to students, net	387,788
	956,535,116
Less:	
Amounts unavailable for general expenditures within one year:	
Restricted by donors with purpose restrictions	18,099,364
Restricted by donors in perpetuity	91,802,165
Accumulated endowment earnings subject to appropriation beyond one year	46,076,492
Real estate asset restricted as endowment	720,000,000
Split-interest agreement assets	7,333,690
Funds restricted by lender	3,786,081
Other receivables beyond one year	156,325
Loans to students receivable beyond one year	380,032
Contributions receivable due in greater than one year	421,477
Total amounts unavailable due to donor restrictions or law	888,655,626
Total financial assets available to management for general expenditure within one year	$ 68,479,490

Amounts unavailable include funds subject to contractual or donor-imposed restrictions, and income from endowments restricted by donors for specific purposes. However, amounts already appropriated from the endowment for general expenditure within one year of the consolidated statement of financial position date have not been subtracted as unavailable.

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