Consolidated Financial Statements and Report of Independent Certified Public Accountants

The Cooper Union for the Advancement of Science and Art

June 30, 2020 and 2019

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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, 2020 and 2019, 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.

GrantThornton

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Cooper Union for the Advancement of Science and Art and its affiliates as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
December 10, 2020

The Cooper Union for the Advancement of Science and Art

CONSOLIDATED BALANCE SHEETS

As of June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	$ 39,574,445	$ 37,902,228
Other receivables, net	1,796,775	2,606,580
Contributions receivable, net (Note D)	3,291,955	6,502,319
Loans to students, net of allowance for doubtful loans of $34,238 in 2020 and 2019	386,670	387,788
Prepaid expenses and other assets (Note G)	1,676,995	1,494,277
Funds held by trustee (Notes B, G and H)	3,786,081	3,786,081
Lease issuance costs (Note G)	2,590,668	2,774,499
Investments (Notes B and C)	926,897,735	905,350,120
Plant assets, net (Note E)	137,498,731	142,498,574
Total assets	$1,117,500,055	$1,103,302,466
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 7,168,090	$ 9,406,565
Accrued interest on long-term loans	2,050,406	2,078,985
Liability under charitable trusts and annuity agreements	4,849,578	4,921,694
Accrued postretirement benefit costs (Note F)	28,782,206	22,089,161
Deferred revenue (Note G)	101,277,407	107,939,468
Long-term loans, net (Note H)	225,250,399	224,133,348
Total liabilities	369,378,086	370,569,221
Commitments and contingencies (Notes H, I and L)		
NET (DEFICIT) ASSETS (Note J)		
Without donor restrictions	(139,095,557)	(146,948,870)
With donor restrictions		
Restricted as to purpose or time	793,939,306	787,879,949
Restricted in perpetuity	93,278,220	91,802,166
	887,217,526	879,682,115
Total net assets	748,121,969	732,733,245
Total liabilities and net assets	$1,117,500,055	$1,103,302,466

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, 2020, with comparative totals for the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2020	2019
Operations				
Revenues and other support:				
Investment return utilized for operations (Notes B and J)	$ 64,125,049	$ -	$ 64,125,049	$ 63,808,524
Student tuition and fees, net of tuition discount and scholarships	13,307,294	-	13,307,294	13,540,971
Contributions	4,460,292	1,143,466	5,603,758	16,684,534
Government grants, contracts, and appropriations	1,077,129	-	1,077,129	562,176
Rental income (Notes G and I)	3,228,118	-	3,228,118	3,154,544
Auxiliary enterprises	1,759,377	-	1,759,377	2,406,880
Other revenue	888,013	-	888,013	661,103
Net assets released from restrictions	2,921,960	(2,921,960)	-	-
Total revenues and other support	91,767,232	(1,778,494)	89,988,738	100,818,732
Expenses (Note K):				
Salaries	29,804,018	-	29,804,018	28,423,446
Employee benefits	11,525,915	-	11,525,915	10,382,074
Interest (Note H)	12,600,396	-	12,600,396	12,912,115
Depreciation and amortization	8,790,362	-	8,790,362	7,955,174
Occupancy and other related expenses	5,089,674	-	5,089,674	6,407,726
Supplies, services, and other office expenses	7,746,901	-	7,746,901	7,770,645
Other operating expenses	4,507,037	-	4,507,037	4,583,325
Total expenses	80,064,303	-	80,064,303	78,434,505
Excess (deficiency) of operating revenues over operating expenses, before nonoperating activities and other changes	11,702,929	(1,778,494)	9,924,435	22,384,227
Nonoperating activities and other changes				
Net investment return (Note B)	59,726,947	12,337,068	72,064,015	89,590,808
Net investment return utilized in operations (Notes B and J)	(59,726,947)	(4,398,102)	(64,125,049)	(63,808,524)
Contributions for endowment	-	1,476,055	1,476,055	4,460,953
Net assets released from restrictions for capital and other reclassifications (Note J)	101,116	(101,116)	-	-
Amounts not yet recognized as a component of net periodic postretirement cost (Note F)	(5,985,125)	-	(5,985,125)	10,043,637
Gain on insurance recoveries (Note E)	2,034,393	-	2,034,393	614,260
Change in net assets	7,853,313	7,535,411	15,388,724	63,285,361
Net (deficit) assets at beginning of year	(146,948,870)	879,682,115	732,733,245	669,447,884
Net (deficit) assets at end of year	$ (139,095,557)	$ 887,217,526	$748,121,969	$ 732,733,245

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

	Without Donor Restrictions	With Donor Restrictions	2019
Operations			
Revenues and other support:			
Investment return utilized for operations (Notes B and J)	$ 63,808,524	$ -	$ 63,808,524
Student tuition and fees, net of tuition discount	13,540,971	-	13,540,971
Contributions	8,743,822	7,940,712	16,684,534
Government grants, contracts, and appropriations	562,176	-	562,176
Rental income (Notes G and I)	3,154,544	-	3,154,544
Auxiliary enterprises	2,406,880	-	2,406,880
Other revenue	661,103	-	661,103
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
Expenses (Note K):			
Salaries	28,423,446	-	28,423,446
Employee benefits	10,382,074	-	10,382,074
Interest (Note H)	12,912,115	-	12,912,115
Depreciation and amortization	7,955,174	-	7,955,174
Occupancy and other related expenses	6,407,726	-	6,407,726
Supplies, services, and other office expenses	7,770,645	-	7,770,645
Other operating expenses	4,583,325	-	4,583,325
Total expenses	78,434,505	-	78,434,505
Excess of operating revenues over operating expenses, before nonoperating activities and other changes	16,242,516	6,141,711	22,384,227
Nonoperating activities and other changes			
Net investment return (Note B)	59,498,007	30,092,801	89,590,808
Net investment return utilized in operations (Notes B and J)	(59,498,007)	(4,310,517)	(63,808,524)
Contributions for endowment	-	4,460,953	4,460,953
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
Gain on insurance recoveries (Note E)	614,260	-	614,260
Change in net assets	26,972,721	36,312,640	63,285,361
Net (deficit) assets at beginning of year	(173,921,591)	843,369,475	669,447,884
Net (deficit) assets at end of year	$ (146,948,870)	$ 879,682,115	$ 732,733,245

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, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Changes in net assets	$ 15,388,724	$ 63,285,361
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,790,362	7,955,174
Amortization of deferred issuance costs	580,612	580,610
Net unrealized and realized gains on investments	(12,409,054)	(31,233,153)
Change in value of split-interest agreements	363,312	(558,478)
Contributions for donor-restricted endowment	(1,476,055)	(4,460,953)
Disposal of building improvements	2,196,220	767,825
Changes in assets and liabilities:		
Contributions receivable, net of amounts classified as financing activities	3,210,364	(5,083,810)
Other receivables	809,805	(587,292)
Prepaid expenses and other assets	(182,718)	2,695,365
Accounts payable and accrued expenses	(2,267,054)	1,708,565
Deferred revenue	(6,662,061)	4,268,509
Accrued postretirement benefit costs	6,693,045	(9,706,113)
Net cash provided by operating activities	15,035,502	29,631,610
Cash flows from investing activities		
Purchases of investments	(18,075,336)	(51,179,483)
Proceeds from sales of investments	8,936,775	31,320,402
Collection of loans from students	1,118	7,044
Purchases of plant assets	(5,986,739)	(3,659,340)
Net cash used in investing activities	(15,124,182)	(23,511,377)
Cash flows from financing activities		
Contributions for donor-restricted endowment	1,476,055	4,460,953
Change in contributions receivable related to financing activities	-	159,785
Proceeds of new loans	6,562,500	-
Principal payments on loans	(5,842,230)	(3,253,282)
Proceeds of new charitable gift annuities	18,845	-
Payments to beneficiaries under charitable annuities	(454,273)	(479,435)
Net cash provided by financing activities	1,760,897	888,021
Net increase in cash, cash equivalents, and restricted cash	1,672,217	7,008,254
Cash, cash equivalents, and restricted cash at beginning of year	41,688,309	34,680,055
Cash, cash equivalents, and restricted cash at end of yeaı	$ 43,360,526	$ 41,688,309
Supplemental cash flow information:		
Cash paid during the year for interest	$ 12,628,974	$ 12,928,029

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

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

The College was founded in 1859 through the bequest of Peter Cooper, a noted industrialist and philanthropist. The College was incorporated under a special act of the New York State Legislature in 1859 and is subject to the jurisdiction of the Regents of the University of the State of New York. It offers degree programs in architecture, art, and engineering. The College provided full-tuition scholarships to all students through the year ended June 30, 2014. In April 2013, the Board of Trustees of The Cooper Union voted to reduce the baseline scholarship to a minimum of 50% for undergraduate students beginning with the class entering in fall 2014. The College designated a tuition rate of $44,550 for full-time undergraduate students for the years ended June 30, 2020 and 2019.

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

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

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

Basis of Presentation

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

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

- Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations.
- Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of The Cooper Union or the passage of time. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reported as net assets without donor restrictions. Expirations of donor-imposed time or use restrictions on prior year net asset balances are reported as net assets released from restrictions.

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

Accounting for Uncertainty in Income Taxes

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

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

The College is exempt from Federal and New York State income taxation by virtue of being an organization described in Section 501(c)(3) of the IRC and similar provisions of the New York State tax code. Nevertheless, the College may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. The College believes that there are no material uncertain tax positions within its 2020 and 2019 consolidated financial statements.

The Tax Cuts and Jobs Act passed by Congress in 2017 imposes a 1.4% excise tax on specifically defined net investment income of private tax-exempt universities which meet certain criteria. The College meets those criteria as currently defined, and as a result, has made provisions for the tax of $900,000 and $910,000 in its 2020 and 2019 consolidated financial statements, respectively. The excise tax has been recognized as a reduction of the College's investment return.

Cash and Cash Equivalents

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

Restricted Cash

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

	2020	2019
Cash and cash equivalents	$ 39,574,445	$ 37,902,228
Funds held by trustee (restricted cash)	3,786,081	3,786,081
Total cash and restricted cash shown on the consolidated statements of cash flows	$ 43,360,526	$ 41,688,309

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

Contributions

The College recognizes revenue from contributions in accordance with Accounting Standard Update ("ASU") 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the College evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the College applies guidance under Financial Accounting Standards Board ("FASB") ASC 958-605. If the transfer of assets is determined to be a contribution, the College evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the College is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

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

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

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

Depreciation and Amortization

Buildings, building improvements, software, and equipment are depreciated on a straight-line basis over their estimated useful lives ranging from three 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 US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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; and

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

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

Fair Value of Financial Instruments

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

Deferred Giving Arrangements

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

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

The discount rates used in the calculation of obligations due under charitable trusts and annuity agreements as of June 30, 2020 and 2019 ranged each year from 1.0% to 8.4%. State-mandated insurance reserves related to charitable gift annuity agreements are maintained at the required level.

Nonoperating Activities

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

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued 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 June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date of ASU 2014-09 for certain entities that have not yet issued their financial statements (or made financial statements available for issuance) to annual reporting periods beginning after December 15, 2019. Therefore, the guidance is effective for the College's fiscal year 2021. 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 its 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. Furthermore, in June 2020, the FASB issued ASU No. 2020-05, which deferred the effective date of ASU 2016-02 for not-for-profit entities by an additional year. Therefore, the guidance is effective for the College's fiscal year 2023. Early adoption is permitted. The College is in the process of evaluating the impact this standard will have on its consolidated financial statements.

Subsequent Events

The College evaluated its June 30, 2020 consolidated financial statements for subsequent events through December 10, 2020, 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 $6,987,090 and $7,333,690 as of June 30, 2020 and 2019, respectively. The Cooper Union's liability under these charitable trusts and gift annuities totaled $4,849,578 and $4,921,694 as of June 30, 2020 and 2019, respectively.

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

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

The components of investment return for the years ended June 30, 2020 and 2019 follows:

	2020	2019
Real estate rental income, net (Note C)	$ 59,165,174	$ 58,182,470
Interest and dividends	2,415,329	2,015,539
Unrealized gains on real estate investments	9,830,000	20,600,000
Unrealized (losses) gains on other investments	(92,601)	7,458,975
Realized gains on investments	2,404,430	3,174,178
Investment expenses	(1,658,317)	(1,840,354)
Net investment return	$ 72,064,015	$ 89,590,808
Investment returns classified amongst net assets as follows:		
With donor restrictions	$ 7,938,966	$ 30,092,801
Amounts without donor restrictions utilized for operations	64,125,049	59,498,007
Net investment return	$ 72,064,015	$ 89,590,808

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, 2020 and 2019. Certain investments measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets:

	2020 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 $13,289	$ 1,763,421	$ 1,763,421	$ -	$ -			
Corporate bonds	16,396,780	-	16,396,780	-			
Equity securities:							
U.S. equity	38,542,075	38,542,075	-	-			
International equity	24,339,364	24,339,364	-	-			
Mutual funds	30,720,290	30,720,290	-	-			
Real estate	734,370,000	-	-	734,370,000			
Other	60,721	-	-	60,721			
Subtotal	846,192,651	95,365,150	16,396,780	734,430,721			
Investments valued at NAV:							
Hedge funds:							
Long/short equity	7,950,943	-	-	-	2	Quarterly	30
Absolute return	18,683,629	-	-	-	2	Quarterly	15-65
Funds of funds:							
Absolute return	2,436,925	-	-	-	1	Quarterly	60-90
Limited partnerships:							
Global equity	11,498,417	-	-	-	1	Monthly	6
Absolute return	7,786,870	-	-	-	2	Quarterly, Annually	45-65
Venture capital funds	10,333,236	-	-	-	2	Illiquid	N/A
Growth-stage internet and mobile companies	8,121,004	-	-	-	3	Illiquid	N/A
Limited partnerships	13,819,920	-	-	-	8	Illiquid	N/A
Portfolio companies	74,140	-	-	-	1	Illiquid	N/A
Total investments	$ 926,897,735	$ 95,365,150	$ 16,396,780	$ 734,430,721	22		

	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		

The Cooper Union had $23,261,382 and $22,683,787 of non-exchange traded alternative investments that were subject to lock-up provisions as of June 30, 2020 and 2019, respectively. The remaining lock-up period of these assets ranges from 2 to 8 years. The Cooper Union's unfunded capital commitments approximated $13,200,000 and $8,300,000 as of June 30, 2020 and 2019, respectively.

The following tables present The Cooper Union's activity for the years ended June 30, 2020 and 2019 for investments measured at fair value on a recurring basis using unobservable inputs (Level 3):

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

	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

The Cooper Union recognizes transfers between levels of the fair value hierarchy at the beginning of the reporting period in which the date of the event or change in circumstances that caused the transfer occurs. There were no transfers amongst levels in fiscal 2020 or 2019.

NOTE C - REAL ESTATE INVESTMENTS

	2020	2019
Chrysler Building	$ 730,600,000	$ 720,600,000
51 Astor Place	2,300,000	2,390,000
22-36 Astor Place	1,470,000	1,550,000
Real estate investments	$ 734,370,000	$ 724,540,000

Chrysler Building

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

The Chrysler Building asset, which is included in investments at fair value, was valued at $730,600,000 and $720,600,000 as of June 30, 2020 and 2019, 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 historical cost determined on the date of gift and totals $600,000 as of June 30, 2020 and 2019.

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

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

- Base annual rentals of $7,750,000 through December 31, 2017 (see paragraph below for rentals derived thereafter).
- Additional rent through December 31, 2017 in an amount equal to 10% of the tenant's adjusted gross income that exceeds $50,000,000. Adjusted gross income is defined as gross receipts, less tenant's costs allocable to each period.
- An amount equivalent to the real estate taxes, which would be payable on the real property were it subject to taxation. Such amount is based on New York City's assessment of the value of the land and building and the existing tax rate then in effect. For the years ended June 30, 2020 and 2019, this tax equivalency payment totaled $21,265,141 and $20,969,466, 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 base annual rent schedule for the period January 1, 2018 through December 31, 2047 as follows: from January 1, 2018 to December 31, 2027, $32,500,000; January 1, 2028 to December 31, 2037, $41,000,000; and January 1, 2038 to December 31, 2047, $55,000,000. As of January 1, 2048, and each 10-year anniversary thereafter, the base rent shall be adjusted based upon the fair value of the land considered as vacant and unimproved, and the assumption that a building of 1,194,000 square feet can be built and utilized only for the then current use of the land irrespective of whether such then current use of the land represents its "highest and best use." In no event shall the new rent be less than the basic rent per annum payable on the last day of the preceding period (i.e., $55,000,000).

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

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

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

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

51 Astor Place

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

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

In connection with the 51 Astor Place lease, The Cooper Union received net proceeds resulting from a $96,970,000 financing transaction, representing the then present value of all base annual rent payable under the lease through its expiration. The proceeds were recorded as deferred revenue (Note 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 $5,306,614 and $4,694,304 for the years ended June 30, 2020 and 2019, respectively. The net amount is recognized as real estate rental income.

NOTE D - CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net, as of June 30, 2020 and 2019 are scheduled to be collected as follows:

	Year	Year
Year ended June 30		
Less than one year	$ 1,911,173	$ 4,225,301
One year to three years	1,591,712	2,554,977
Contributions receivable, gross	3,502,885	6,780,278
Less: Allowance for uncollectible contributions receivable	(127,426)	(151,968)
Adjustment to reflect contributions receivable at present value (rates ranging from 0.08%-5.02%)	(83,504)	(125,991)
Contributions receivable, net	$ 3,291,955	$ 6,502,319

NOTE E - PLANT ASSETS, NET

Plant assets, net, as of June 30, 2020 and 2019 consist of the following:

	2020	2019
Land	$ 150,000	$ 150,000
Buildings and building improvements	236,362,836	235,552,825
Software and equipment	37,320,899	35,766,043
Leasehold improvements	9,539,275	9,539,275
Plant assets, gross	283,373,010	281,008,143
Less: Accumulated depreciation and amortization	(146,028,436)	(138,509,569)
	137,344,574	142,498,574
Construction in progress	154,157	-
Plant assets, net	$ 137,498,731	$ 142,498,574

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, 2020 and 2019.

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 at June 30, 2020 and 2019, which is subject to a gift annuity agreement with a liability of $888,334 and $802,673 at June 30, 2020 and 2019, 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. The costs to date of the reparation work and property replacement, which are still in process as of June 30, 2020, totaled $8,444,770. The consolidated financial statements also reflect insurance recovery proceeds for the same amount, less a $10,000 property insurance deductible. The College recognized gains from insurance recoveries of $2,034,393 and $614,260 in the 2020 and 2019 consolidated statements of activities, respectively. During the year ended June 30, 2020, the College disposed of building improvements damaged by such water leakage totaling $3,467,717, with accumulated depreciation totaling $1,271,497 as of the date of disposal.

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 expense for the plan for the years ended June 30, 2020 and 2019 amounted to $2,434,831 and $1,984,812, respectively. The Cooper Union also provides medical insurance benefits for its retired employees through a defined benefit plan.

The following provides information about the plan's funded status reconciled with the accrued postretirement benefit obligation reported on The Cooper Union's consolidated balance sheets as of June 30, 2020 and 2019:

	2020	2019
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 22,089,161	$ 31,795,274
Service cost	886,574	742,631
Interest cost	832,359	780,498
Actuarial loss (gain)	5,831,898	(10,534,675)
Benefits paid	(857,786)	(694,567)
Benefit obligation at end of year	28,782,206	22,089,161
Change in plan assets:		
Employer contribution	857,786	694,567
Benefits paid	(857,786)	(694,567)
Fair value of plan assets at end of year	-	-
Funded status	$ (28,782,206)	$ (22,089,161)

Cumulative amounts recognized in net assets without donor restrictions and not yet recognized in net periodic benefit cost as of June 30, 2020 and 2019 consist of:

	2020	2019
Net actuarial gain	$ (926,578)	$ (6,911,703)

The following table provides the components of net periodic benefit cost for the plan for 2020 and 2019:

	2020	2019
Components of net periodic benefit cost		
Service cost	$ 886,574	$ 742,631
Interest cost	832,359	780,498
Amortization of actuarial gain	(151,227)	(491,038)
Net periodic benefit cost	$ 1,565,706	$ 1,032,091

Amounts not recognized in changes in net assets without donor restrictions for the years ended June 30, 2020 and 2019 consist of:

	2020	2019
Net actuarial loss (gain)	$ 5,831,898	$ (10,534,675)
Amortization of net gain	153,227	491,038
Amounts not recognized as a component of net periodic benefit cost	$ 5,985,125	$ (10,043,637)

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

	2020	2019
Discount rate	2.60%	3.50%
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:

	2020	2019
Discount rate	3.50%	4.10%
Rate of compensation increase	N/A	N/A

For measurement purposes, 15.0%/15.0% and 6.6%/5.0% 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, 2020 and 2019, respectively. The rates for the year ended June 30, 2020 reflect the actual reported 2021 premium equivalent rates. The 2020 rates were assumed to decrease to ultimate rates of 3.70% for both pre-Medicare and post-Medicare by 2073 and remain at that level thereafter. The 2019 rates were assumed to decrease to ultimate rates of 3.9% and 4.0% for pre-Medicare and post-Medicare, respectively, by 2086 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	$ 447,657	$ (334,315)
Effect on accrued postretirement benefit obligation	5,816,711	(4,522,195)

The estimated net actuarial loss that will be amortized into net periodic benefit cost during fiscal 2021 is $0.

The projected premium payments (i.e., employer contributions, which are equal to benefits paid) in each fiscal year from 2021 through 2030 are as follows:

Year ending June 30,	
2021	$ 972,618
2022	1,003,862
2023	1,031,589
2024	1,056,199
2025	1,039,251
2026 through 2030 (in aggregate)	5,584,196
Projected premium payments	$ 10,687,715

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 $86,195,556 and $87,175,050 is included in deferred revenue at June 30, 2020 and 2019, respectively. The College incurred $4,488,904 in costs associated with entering into this loan. These costs have been deferred and are being amortized over the life of the debt. Total remaining unamortized costs of $2,244,452 and $2,424,008 as of June 30, 2020 and 2019, respectively, net of accumulated amortization of $2,244,452 and $2,064,896 as of June 30, 2020 and 2019, 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 $9,091,836 and $9,204,082, net of accumulated amortization of $1,908,164 and $1,795,918 as of June 30, 2020 and 2019, respectively, is included in deferred revenue at June 30, 2020 and 2019, respectively. The College incurred $423,154 in costs associated with entering into this lease. These costs have been deferred and are being amortized over the life of the lease. Total remaining unamortized costs of $346,216 and $350,491 as of June 30, 2020 and 2019, respectively, net of accumulated amortization of $76,938 and $72,663 as of June 30, 2020 and 2019, respectively.

Prepaid expenses and other assets and deferred revenue as of June 30, 2020 and 2019 consist of the following:

	Prepaid Expenses and Other Assets		Deferred Revenue	
	2020	2019	2020	2019
26 Astor Place lease	$ 346,216	$ 350,491	$ 9,091,836	$ 9,204,082
51 Astor Place lease	2,244,452	2,424,008	86,195,556	87,175,050
Lease issuance costs	2,590,668	2,774,499	95,287,392	96,379,132
Debt service reserve fund	2,702,960	2,702,960	-	-
Interest reserve fund	1,083,121	1,083,121	-	-
Funds held by trustee	3,786,081	3,786,081	-	-
Other items	1,676,995	1,494,277	5,339,575	11,560,336
	$ 8,053,744	$ 8,054,857	$ 100,626,967	$ 107,939,468

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 base rent, tax equivalency payments, and other sums due under the terms of the operating lease. The College incurred $6,325,057 of costs associated with entering into this loan, which have been deferred and are being amortized over the life of the debt. Total remaining unamortized debt issuance costs totaled $3,373,364 and $3,584,199 as of June 30, 2020 and 2019, respectively, net of amortization of $2,951,693 and $2,740,858 as of June 30, 2020 and 2019, respectively.

In June 2014, The Cooper Union signed a commitment letter with a private lender for the securitization of tax equivalency payments to be received in accordance with the lease of 51 Astor Place, resulting in a $58,760,000 loan which closed on August 27, 2014. Of the $58,760,000 in loan proceeds, $2,702,960 was deposited into a debt service reserve fund, $2,149,939 was deposited into an interest reserve fund (balance of $1,083,121 at June 30, 2020 and 2019), 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 $2,603,226 and $2,789,171 as of June 30, 2020 and 2019, respectively, net of amortization of $1,115,669 and $929,724 as of June 30, 2020 and 2019, respectively. The term of the loan is 20 years with an annual interest rate of 4.60%. The lender has full recourse to the College in the event that the tax equivalency payments are not sufficient to pay the debt service.

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

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:			
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	8,385,691	10,641,716	19,027,407
2026 and thereafter (in aggregate)	195,730,255	71,182,625	266,912,880
	231,226,989	128,598,110	359,825,099
Less: Unamortized loan issuance costs	(5,976,590)	-	(5,976,590)
Total	$ 225,250,399	$ 128,598,110	$ 353,848,509

Interest expense on all long-term debt totaled $12,600,396 and $12,912,115 for the years ended June 30, 2020 and 2019, 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 2038. Rent and related expenses for this lease totaled $1,513,724 and $1,630,518 for the years ended June 30, 2020 and 2019, respectively. Sublease rental income for these leases totaled $1,721,551 and $1,599,591 for the years ended June 30, 2020 and 2019, 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, 2020:

	Sublease Rental Income	Minimum Rental Payments
Year ending June 30:		
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	289,675	1,025,000
2026 and thereafter (in aggregate)	1,247,763	14,588,333

In addition, The Cooper Union leases, under an operating lease agreement, office space at 30 Cooper Square in New York City. This operating lease originally commenced on July 1, 1992, and it was renewed on January 1, 2019. It will expire on December 31, 2028. Rent expense for this lease totaled $412,750 and $505,000 for the years ended June 30, 2020 and 2019, 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, 2020:

	Minimum Rental Payments
Year ending June 30:	
2021	$ 428,357
2022	439,066
2023	450,043
2024	461,294
2025	472,826
2026 and thereafter (in aggregate)	1,748,326

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

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

NOTE J - NET ASSETS

Net assets with donor restrictions as of June 30, 2020 and 2019 are available for the following purposes or periods:

	2020	2019
Purpose restrictions:		
Academic support	$ 864,023	$ 982,179
Student aid	2,796,789	3,240,586
Instruction and other	12,534,125	13,876,599
Time-restricted	3,513,217	3,704,094
	19,708,154	21,803,458
Donor-restricted endowment funds:		
Donated corpus (original gift)	93,278,220	91,802,165
Appreciation on real estate asset	730,000,000	720,000,000
Accumulated earnings on endowment, not yet appropriated for expenditure	44,231,152	46,076,492
	867,509,372	857,878,657
Total net assets with donor restrictions	$ 887,217,526	$ 879,682,115

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 2020 and 2019 spending authorizations from the endowment funds were calculated at 4% of the average fair value of the endowment over the previous five years ended June 30 unless an endowment fund's spending rate is specifically stipulated otherwise by a donor. Using the latest audited financial statements, the calculation is performed during the budgeting process and the withdrawal request is proposed to the Board of Trustees for approval for use in support of the subsequent year's budget.

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

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

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

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of permanent duration. In accordance with US GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no underwater endowments as of June 30, 2020 and 2019.

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

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

	2019			
		With Donor Restrictions		
	Without Donor Restrictions	Accumulated Earnings	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

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

The following table presents the composition of investment returns utilized in operations for the years ended June 30, 2020 and 2019:

	2020	2019
Endowment distributions	$ 58,207,565	$ 57,033,783
Investment returns on non-endowed investments	5,917,484	6,774,741
Investment returns utilized for operations	$ 64,125,049	$ 63,808,524

NOTE K - FUNCTIONAL EXPENSES

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

The following tables present the College's expenses by functional and natural expense category for the years ended June 30, 2020 and 2019:

	2020							
	Instruction	Academic Support	Public Services	Student Services	Auxiliary Enterprises	Management and General	Fundraising	Total
Salaries	$ 11,232,956	$ 9,615,491	$ 1,283,914	$ 2,242,168	$ 143,811	$ 3,808,193	$ 1,477,485	$ 29,804,018
Employee benefits	4,142,402	3,307,550	363,738	1,151,760	89,611	1,771,215	699,639	11,525,915
Interest	6,320,647	4,843,848	208,837	229,716	267,681	590,872	138,795	12,600,396
Depreciation and amortization	4,273,990	3,258,694	244,059	129,375	484,182	243,548	156,514	8,790,362
Occupancy and other related expenses	1,568,512	1,204,144	141,940	372,383	33,971	1,699,414	69,310	5,089,674
Supplies, services and other office expenses	611,784	1,453,192	836,956	487,360	847	3,686,876	669,886	7,746,901
Other operating expenses	812,432	1,253,818	326,844	695,254	12	1,305,857	112,820	4,507,037
	$ 28,962,723	$ 24,936,737	$ 3,406,288	$ 5,308,016	$ 1,020,115	$ 13,105,975	$ 3,324,449	$ 80,064,303

	2019							
	Instruction	Academic Support	Public Services	Student Services	Auxiliary Enterprises	Management and General	Fundraising	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
Employee benefits	4,115,277	2,890,374	223,866	1,041,932	44,310	1,419,390	646,925	10,382,074
Interest	6,577,328	4,948,775	213,023	261,032	271,847	512,954	127,156	12,912,115
Depreciation and amortization	3,867,910	2,949,080	220,871	117,083	438,179	220,408	141,643	7,955,174
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
Supplies, services, and other office expenses	896,033	1,753,924	997,723	575,189	-	3,061,468	486,308	7,770,645
Other operating expenses	907,503	1,217,965	268,356	1,052,844	-	1,029,366	107,291	4,583,325
	$ 30,224,432	$ 23,927,541	$ 3,371,702	$ 5,882,849	$ 884,055	$ 11,172,145	$ 2,971,781	$ 78,434,505

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 The Cooper Union seeking to force the institution to return to 100% tuition scholarships for all undergraduate students. The lawsuit was settled in December 2015 with no impact 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:

	2020	2019
Financial assets as of June 30:		
Cash and cash equivalents	$ 39,574,445	$ 37,902,228
Contributions receivable, net	3,291,955	6,502,319
Other receivables	1,796,775	2,606,580
Investments	926,897,735	905,350,120
Funds held by trustee	3,786,081	3,786,081
Loans to students, net	386,670	387,788
	975,733,661	956,535,116
Less:		
Amounts unavailable for general expenditures within one year:		
Restricted by donors with purpose restrictions	16,194,937	18,099,364
Restricted by donors in perpetuity	93,278,220	91,802,165
Accumulated endowment earnings subject to appropriation beyond one year	44,231,152	46,076,492
Real estate asset restricted as endowment	730,000,000	720,000,000
Split-interest agreement assets	6,987,090	7,333,690
Funds restricted by lender	3,786,081	3,786,081
Other receivables due to be collected beyond one year	116,714	156,325
Loans to students receivable due to be collected beyond one year	378,937	380,032
Contributions receivable due in greater than one year	264,092	421,477
Total amounts unavailable due to donor restrictions or law	895,237,223	888,055,626
Total financial assets available to management for general expenditure within one year	$ 80,496,438	$ 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.

NOTE N - COVID-19

In early 2020, an outbreak of the novel strain of coronavirus (“COVID-19”) emerged on a global scale. In reaction to the outbreak, federal, state and local governments have issued mandates the have disrupted businesses and resulted in an overall decline in economic activity. On March 11, 2020, in response to these mandates, the College elected to suspend in-person classes and moved to a virtual environment for the remainder of the spring 2020 semester. Students living in residence halls were encouraged to return to their primary residences, and subsequently all administrative buildings on campus were closed. While COVID-19’s impact on the College during the fiscal year ended June 30, 2020 was minimal, the fiscal year ended June 30, 2021 will be affected. The College has seen reductions in student enrollment for both the summer and fall 2020 semesters resulting from the governmental mandates to control the spread of the virus.

The CARES Act Higher Education Emergency Relief Fund allocated funding of $766,505 to the College. During the year ended June 30, 2020, $116,065 was disbursed to qualifying students and recorded as revenue within government grants, contracts, and appropriations on the accompanying 2020 consolidated statement of activities. Furthermore, during the year ended June 30, 2020, $383,252 was used to reimburse the College for refunds made to students for housing and lab fees during the spring 2020 semester, as well as various other expenses incurred as a result of the change to a virtual learning environment. Of this amount, the College satisfied conditions allowing revenue recognition for $116,065, and this amount was recorded as revenue within government grants, contracts and appropriations on the accompanying 2020 consolidated statement of activities.