

THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

Board of Trustees Meeting
December 8, 2022 12:30 PM

PARTICIPANTS

Trustees: Anne Chao, Maurice Cox, Brickson Diamond, Elias Dills, Wanda Felton, Pam Flaherty, Judy Freyer, Elizabeth Graziolo, Dana Hughes, Aftab Hussain, Anthony Ianno, Tim Ingrassia, Malcom King (Chair), Jamie Levitt, Lou Manzione, Cristina Ross, Brian Steinwurtzel, Robert Tan, Carol Wolf

Officers: President Laura Sparks, Treasurer John Ruth, Secretary Charlotte Wessell

Financial Monitor: Richard Faughnan and Ron Salluzzo

Representatives: Diana Agrest, Steven Hillyer, Beverly Joel

Staff: Vice President Mark Campbell

Guests: Dennis Morrone

Absent: Joe Dobronyi, Shirley Yan

The meeting, conducted via video conference, was called to order at 12:34 p.m. and began with an Executive Session. The Regular Session was called to order at 1:55 p.m.

Mr. King reported that during the Executive Session, the Board:

- Re-elected Trustee Joe Dobronyi, thus fulfilling the requirement to seat a descendant of Peter Cooper on the Board of Trustees;
- Approved Committee memberships for 2023;
- Passed Resolution 2022-5, provided in advance of the meeting, appointing Officers as follows until the next annual meeting of the Board of Trustees on December 6, 2023;

Malcolm King	Chair, Board of Trustees
Aftab Hussain	Vice Chair, Board of Trustees
Laura Sparks	President
John Ruth	Treasurer
Charlotte Wessell	Secretary

- Approved Tenure Applications as recommended by the Academic and Student Affairs Committee.

To begin his report as Chair, Mr. King acknowledged and thanked Cristina Ross for her service on the Board, as her term comes to an end following this meeting. The Board is grateful for her four years of service and valuable input as an Alumni Trustee. Mr. King reviewed the significant work the Board has done since the previous quarterly meeting and thanked Trustees for their participation in recent campus events and activities. Mr. King presented the 2023 Work Plan for the Board and highlighted components. Each quarterly Board meeting incorporates a topic for strategic conversations to inform the next iteration

of long-term planning for the institution. The Committee reports are sequenced to align with these topics and provide in-depth review of the strategic implications of the work that Committees are taking on during their quarterly meetings. The Board engaged in a discussion and voiced support for the proposed format and themes for the year.

Mr. King reviewed items on the Consent Agenda for approval. Upon motion duly made and seconded, the Consent Agenda including the following items was approved:

- October 6, 2022 Board of Trustees meeting minutes, approved with one typographical correction
- Resolution 2022-6 authorizing December 2022 degrees
- 2023 Board Work Plan
- 2023 Committee Work Plans

President's Report:

Ms. Sparks began by thanking departing Trustee Cristina Ross, noting her perspective and insight has been important over the last four years. Ms. Sparks then reviewed the following key points from the fall semester and welcomed questions from the Board.

- As shared during the October meeting, this fall has welcomed everyone back in full force as our community has adjusted to life amidst the pandemic. This more complete return to campus has been invigorating, on many levels. The semester has been filled with celebrations of students and faculty for receiving awards and recognition; public programs that advance Cooper Union's core values and ambitions; creation and curation of high-quality exhibitions; and events fostering community and alumni engagement.
- Following the positive financial results of FY22, Cooper Union is poised to remain on track for the FY23 budget and the 10-year Plan to Return to Full-Tuition Scholarships (Plan). The necessary capital expenditures, largely deferred maintenance projects, slated for this year will be funded in part by the cumulative Plan surplus and prior years' underspending, consistent with the Board-approved annual budget for FY23. The major façade project on the Foundation Building is tracking to be complete by Commencement and much of the scaffolding has already been taken down as scheduled.
- As outlined in the Plan, Cooper Union continues to raise scholarship levels. This year, 79% of tuition, on average, is covered for undergraduates. However, we are operating amid a high inflationary environment, challenging real estate market, and cognizant of how economic challenges not only affect our institution, but the families of our students and their ability to afford college.
- This shaky economic climate is affecting the investment portfolio as well as fundraising. Current-use fundraising, a primary revenue strategy in the Plan, is 27% of the fiscal year goal as of December 1. Giving Tuesday, the national day of giving following Thanksgiving, raised more than the \$1.2MM goal, providing positive momentum as we approach the end of calendar year giving push, but we are expecting a challenging year for many donors.

The Board engaged in a discussion about the need to exhibit financial discipline over the factors in Cooper Union's control during this time. Trustees also discussed progress on strategic academic priorities and are encouraged to see evidence of shifting culture supporting interdisciplinary learning. The Board commented that this is an example of the significance of setting an institutional priority then galvanizing community support and congregating resources to make progress.

Following the discussion, Trustees viewed a presentation of new digital assets which the Enrollment team uses to promote The Cooper Union to prospective students and family. The Board remarked that the

virtual tour showcases the maker spaces and other facilities in an impressive way and anticipates this is a beneficial tool for students not local to the New York area.

COMMITTEE REPORTS:

Each quarter, the Board rotates Committees to provide in-depth reports and engage the broader Board on key issues, with other committees providing brief reports of their quarterly activities. For this quarter’s meeting, the Board received in-depth reports from the Finance and Business Affairs, Audit, and Investment Committees. Brief reports were also shared from the Academic and Student Affairs and Alumni Affairs and Development Committees.

Finance and Business Affairs:

The Committee reviewed the budget variance report (BVR) for the first quarter of the fiscal year, ending September 30, 2022. The summary is as follows:

	FY22 Prelim Actual*	YTD Sept 2022	FY23 Budget	% Earned or Spent
Total Revenue Before Endowment Payout	91,229	25,962	83,858	31%
Less: Total Expenditures	(80,670)	(19,461)	(85,904)	22%
Surplus Before Endowment Payout	10,559	6,501	(2,046)	
Plus: Endowment Payout	5,365	1,583	6,330	25%
Total Surplus Available for Plan Priorities	15,924	8,084	4,284	

*Until the FY22 financial audit is completed all actual data must be considered preliminary.

The Board reviewed the updated capital program for this fiscal year alongside the long-term capital plan. The capital expenditure provision approved as part of the FY23 budget was \$4.5MM, which included an incremental provision of \$2.0MM from the Plan level of \$2.5MM. The incremental provision was budgeted for deferred maintenance, representing additional deferred maintenance projects identified during last year’s long-term capital plan review.

The Finance Committee recommended a budget adjustment, as the Board anticipated would be necessary when it met in June, to add unspent funds from the FY22 budget into the FY23 budget and reflect cost adjustments. Project delays due largely to supply chain issues and City approval backlogs resulted in underspending in FY22 of approximately \$1.7MM; another \$100K reflects increased costs associated with the delays. To keep pace with commitments in the Plan to address deferred maintenance and capital renewal, the Finance Committee recommends an overall revised capital budget for FY23 of \$6.3MM. The capital expenditure budget number and forecast included in the BVR were amended to reflect the proposed adjusted for the year.

Upon motion made and seconded, the Board approved the FY23 capital budget adjustment from \$4.5MM to \$6.3MM.

Vice President for Finance and Administration John Ruth reviewed the long-term plan, a five-year forecast using the FY23 budget as the year one baseline. The plan is evaluated vs. the guardrails of the Board-approved financial Plan. Cooper Union enters this five-year period well positioned with a cumulative net surplus level nearly \$18.2MM favorable to Plan. The current forecast projects an \$8.5MM negative variance on the Plan at the end of FY23, in part caused by the necessary increase in deferred

maintenance expenditures for the year and continued pandemic-related challenges to the school's tax equivalency and real estate revenue streams. Cumulatively, Cooper Union would remain ahead of the Plan by \$9.7MM.

Audit:

Dennis Morrone, National Managing Partner of Grant Thornton's Not-for-Profit & Higher Education Practices, joined the meeting to review Cooper Union's audited financial statements for the fiscal year ending June 30, 2022, previously approved by the Audit Committee. He provided an overview of the process and noted key areas of focus, including tuition, investment, federal programs, and information technology. Mr. Morrone remarked that in conducting their audit, Grant Thornton had complete, unfettered cooperation from Management and access to necessary information throughout the process. Having conducted a thorough, unrestricted audit of Cooper Union's financial statements as of June 30, 2022, Grant Thornton's opinion letter asserts that Cooper Union's financial statements are presented fairly and accurately, that Grant Thornton did not identify any material misstatements or material weaknesses, and that Cooper Union's financial records have been maintained in accordance with Generally Accepted Accounting Principles (GAAP). There were no questions from Trustees. Mr. Morrone exited the meeting.

The Audit Committee Chair presented an overview of the Enterprise Risk Management (ERM) framework reviewed over the past two years. From 2018 to 2020, the Audit Committee developed an ERM framework to systematically look at institution-level risks, to discuss how best to monitor, mitigate, and manage them, and to understand residual risks that remain even after mitigation. Over the past two years, Management and the Committee have been systematically reviewing the top risk categories. Mr. King provided a high-level summary of activities and evaluation of monitoring actions, mitigating factors, and suggested additional measures for eight primary risks identified and reviewed by the Committee thus far. The Board discussed the importance of having risk awareness as fiduciaries of the institution.

Investment:

The Committee Chair reported that as of September 30, 2022, Cooper Union's portfolio was valued at \$261.2MM, -4.8% for the quarter and -12.5% year-to-date. The Committee will meet again this month to review a rebalancing proposal from Cambridge Associates to align the public equities portfolio structure to the outcomes of the Enterprise Review presented to the Board at its March 2022 meeting.

As scheduled on the Board's Work Plan, the Investment Committee recommends changes to Cooper Union's Investment Policy Statement (IPS) for approval. This is typically done annually; however, due to the Committee's focus on the pandemic's impact on the market in 2020 and the Enterprise Review, begun in 2021, these are the first revisions proposed to the IPS since 2019. The recommended changes reflect the Investment Committee's recommendations and the Board's decisions relating to asset allocations and benchmarks that were informed by the Enterprise Review. The IPS has also been streamlined to align with current approaches to managing resources for operations. The statement on Environmental, Social, and Governance (ESG), Socially Responsible Investments, (SRI) and Diversity, Equity, and Inclusion (DEI) Investment Criteria approved by the Board in June is also incorporated into the statement.

Following the Committee Chair's review of the changes and a discussion about investment types and cash goals, the Board voted to approve the amendments to the Investment Policy Statement.

Academic and Student Affairs:

Vice President of Enrollment Mark Campbell joined the meeting to share key points from the 2022

Enrollment Report. Cooper achieved the overall entering class targets along with lower (more selective) admittance rates and higher yield, key indicators of a successful admission process. Incremental improvements in diversity of the class continued as the proportion of women grew significantly, reaching 50% of the incoming class in the School of Engineering. Trustees discussed national trends in college valuation and the potential impact for enrollment. Following the discussion, Mr. Campbell exited the meeting.

Alumni Affairs and Development

As the calendar year comes to a close, the Committee Chair reviewed the year-to-date fundraising results. As of December 1, 2022, \$3.2MM has been raised toward the \$11.5MM current-use goal for the fiscal year, and \$6.7MM has been raised toward the \$14.7MM total fundraising goal. The latter number includes a major endowment gift, which, while important for overall institutional health, does not contribute to the current-use fundraising goals in the Plan. The team is preparing for the end of calendar year giving push off the heels of a successful Giving Tuesday focusing on current-use giving. The Committee Chair reminded the Board of the increases in fundraising goals outlined in the Plan and the contribution expectations from the Board.

A Representative to the Board commented that the financial transparency and clarity provided in the materials is useful in understanding the factors that contribute to the Board's decisions. There was no New Business. The Board moved to Executive Session at approximately 4:45 p.m. The meeting adjourned at approximately 5:00 p.m.