

THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

**Minutes of Board of Trustees Meeting**

September 30, 2020 8:30 AM

PARTICIPANTS

Trustees: Taesha Aurora, Anne Chao, Joe Dobronyi, Tom Driscoll, Wanda Felton, Pam Flaherty, Stephen Gerard, Elizabeth Graziolo, Eric Hirschhorn, Dana Hughes (after election), Aftab Hussain, Margaret Matz, Cristina Ross, Lynn Lander, Jamie Levitt (after election), Kevin Slavin, Brian Steinwurtzel, Mahmoud Khair-Eldin, Malcom King, Rachel Warren (Chair), Carol Wolf

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

Representatives: Diana Agrest, Raffaele Bedarida, Steven Hillyer, Walid Raad

Financial Monitor: Richard Faughnan and Ron Salluzzo

---

The meeting, conducted via video conference, was called to order at 8:37 a.m. and began with an Executive Session.

The regular session was called to order at 9:03 a.m. The minutes from the June 10, 2020 Board of Trustees Meeting were approved as presented.

Ms. Warren reported that during the Executive Session:

- Dana Hughes and Jamie Levitt were elected as Trustees.
- Malcolm King was elected as the next Chair of the Board of Trustees. His term as Chair will begin at the December 9, 2020 Board meeting.

*Chair's Report*

Ms. Warren welcomed two new Representatives to the Board: Steven Hillyer as the Staff Representative and Raffaele Bedarida as the Faculty Representative for Humanities and Social Sciences. Walid Raad, Faculty Representative for the School of Art, has also returned from sabbatical and resumed his role.

Ms. Warren reported that she was proud and excited to announce that the Board had reached an agreement with President Sparks to extend her appointment for three years to June 2024. Ms. Warren then provided several updates on Trustees and Committee leadership. Kevin Burke and Jeremy Wertheimer stepped down from the Board and Ms. Warren expressed gratitude for their generous contributions, service, and commitment to the mission of The Cooper Union. Aftab Hussain was appointed Co-Chair of the Finance and Business Affairs Committee and Anne Chao was appointed Chair of the Academic and Student Affairs Committee. Ms. Warren thanked them both for stepping up and assuming greater leadership roles on the Board.

Ms. Warren thanked Trustees for their recent engagement with the school through virtual events and fundraising efforts. In August, Cooper held its inaugural virtual benefit, The Concert for Cooper. The online event served as an opportunity to raise friends and funds for the school. Nearly \$400,000 was raised and more

than 3,000 people have watched the broadcast of the event since its debut. She thanked the Trustees who served as her fellow co-chairs of the event, Anne Chao, Eric Hirschhorn, and Brian Steinwurtzel, as well as those who helped spread the word through their networks and contributed personally. Additionally, many Trustees joined for the virtual Alumni/Trustee event the previous night, featuring alumna Meredith Bergmann. Ms. Bergmann, a renowned sculptor, shared the experience of her latest project, the creation of a sculpture celebrating Women's Rights Pioneers in Central Park. These quarterly events are great opportunities to learn more about alumni achievements and talents, and particularly in the virtual setting, opportunities for Trustees to engage their networks with Cooper.

### *President's Report*

As this was Ms. Warren's final meeting as Chair, President Sparks began by thanking her for her leadership and service to the institution. She noted there will be time and opportunities to celebrate Ms. Warren's accomplishments prior to the end of her term in December.

Ms. Sparks provided an overview of the Fall semester under the current environment of COVID-19. As affirmed by the Board this summer, the semester is primarily virtual, with select opportunities for in-person studio work and lab experiences. Ms. Sparks reviewed campus protocols, in-person activity, and testing results to date. She noted that a complete explanation of the campus COVID-19 protocols can be found in the Returning to Cooper guide, previously shared with the Board and available on the school's website. The school's Health and Safety Committee continues to meet regularly and share community announcements with updates. The Board's COVID-19 Task Force continues to meet as well. The Fall 2020 Info Hub on the Cooper website provides up-to-date information.

Looking forward, Ms. Sparks reminded Trustees that, in developing the current plan for the fall, we kept in mind the potential need to extend the hybrid learning environment and associated COVID-19 protocols to the spring semester, based on the evolving conditions and the ability to provide options for students outside of New York City. Should any of the current operations change for spring, a decision will be made no later than the Thanksgiving Break (November 27). At this point, Management does not anticipate any significant changes. Over the past two weeks, there have been clusters of rising COVID-19 cases in specific zip codes in Brooklyn and Queens. Yesterday, the city's daily positivity rate rose above 3% for the first time in many weeks. As previously shared, The Cooper Union would shut down operations if the positivity rate of our on-campus population rose above 3%.

Trustees were interested in hearing how other colleges and universities are faring. Ms. Sparks explained that many are facing significant challenges, from high budget deficits, to problematic enrollment results, layoffs, and reductions in salary and benefits for faculty and staff. A number of our peer/neighborhood institutions have had to draw down and/or borrow against their endowments. While Cooper Union has avoided the crippling tuition-related losses experienced by other schools, since much of our income is generated by real estate, a significant downturn in the market could adversely affect us as well. Accordingly, we must remain diligent in monitoring revenue/expenses and continuing to build our reserves.

Ms. Sparks provided additional updates that illustrate new opportunities created in this challenging environment:

- Much progress has been made on the second phase of the AACE Lab, the interdisciplinary digital fabrication studio that launched in early 2020, shortly before the closure of the buildings. The demand for digital fabrication has only increased with the new remote class format. An online portal is enabling students across all disciplines to make use of the AACE Lab's tools either virtually or with limited in-person access.
- Orientation began earlier in the summer this year and included increased opportunities for interaction through virtual events and meetups. As part of orientation, Dean Chris Chamberlin and Assistant Dean

Nada Ayad in HSS, along with input from students, organized an inaugural reading and discussion group focused on intersecting issues of race, gender, class, and justice. Participation was a required component of orientation for new students, and the program is continuing this semester and expanding to a lecture series for interested faculty, students, and staff.

- Programming for Climate Week continued, with 12 student-led programs, some virtual, others socially distanced outdoors, including a program featuring the first female President of Ireland, UN High Commissioner for Human Rights, and Chair of The Elders Mary Robinson in conversation with climate policy maker and Green New Deal collaborator Rhianna Gunn-Wright.
- In the absence of school exhibitions, the colonnade of the Foundation Building will continue to be activated throughout the semester to provide experiential content for the city. An exhibition on the history of the printed ballot will be presented around Election Day, followed by a tribute to the late alumnus Milton Glaser.

Ms. Sparks highlighted that this type of activity, despite the pandemic, is evidence of the hard work and dedication that faculty and staff continue to show, and the commitment of the student body to engaging in a Cooper education, no matter the format.

Following the President's Report, the Deans joined the meeting to participate in a facilitated discussion with Trustees. As the Board heard from the Deans about the planning process over the summer, this discussion provided an opportunity to hear progress of plan implementation. The Deans of Architecture, Art, Engineering, and Humanities and Social Sciences provided summaries of their current activities on campus and online, the types of in-person learning opportunities being offered, and the ad hoc committees and workshops created to support faculty and students in this learning environment.

Trustees were interested in learning about the mental wellness of students during this challenging time. Dean Chamberlin confirmed that students are struggling with the uncertainty of the moment and general burnout. He provided an overview of the resources for mental wellness, including the expanded clinical team and the 24/7 Cooper Care app, which have been well-utilized this semester. Faculty representatives contributed to the conversation, noting there have been ample faculty workshops and resources to support the transition, but challenges remain, particularly balancing students in different time zones. Following the discussion, the Deans exited the meeting.

### *Committee Reports*

All seven Committees of the Board held quarterly meetings in September and provided reports on their activities. Additionally, the COVID-19 Task Force reported on its activities over the last few months.

### **COVID-19 Task Force Report**

The COVID-19 Task Force has continued to meet or receive reports from Management bi-weekly, reviewing key matters, including enrollment, finances, and the latest guidance from the city and state. The Task Force continues to coordinate the Board's oversight of COVID-19 related issues and ensured the Committee agendas for this quarter addressed relevant guidance. At the previous meeting, alumnus Dr. Kenneth Bridbord, who recently retired from the National Institutes of Health, joined to provide his latest guidance and review The Cooper Union's near-term plans. He affirmed Cooper is taking the right steps and precautions under the current plan.

### **Academic and Student Affairs Committee**

The Committee Chair provided an overview on key updates from the meeting. Dean Barry Shoop provided an update on the development of a Computer Science major in the School of Engineering. This summer, the Computer Science (CS) Implementation Planning Committee, consisting of four faculty and Dean Shoop, began a detailed planning phase for the new major. Topics of investigation included the organizational structure, degree type, whether or not to seek ABET accreditation, preliminary thinking about the curriculum and course offerings, what is uniquely Cooper about the new major, delivery modality, the possibility of faculty joint appointments and an analysis of faculty capacity needs.

Additionally, during the summer, work on interdisciplinary initiatives continued, including submission of The Council on Shared Learning's initial report to President Sparks and the introduction of New York City: A 5000 Year History, a course open to all students, debuted this fall, taught by David Gersten, as the first course of its kind to substantively engage the topics of all three professional disciplines and the humanities and social sciences.

The Board was also apprised of federal changes to the Title IX reporting requirements and the increased mental health resources Student Affairs has made available for students.

### **Alumni Affairs and Development Committee**

The Committee Co-Chairs presented the results of the FY20 year-end development report. The total fundraising summary was \$8.76MM for the year. \$7.06MM was raised in current use, short of the \$7.87MM goal. This is attributed to a number of factors, particularly donors deferring annual gifts because of the economic uncertainty caused by COVID. The overall percentage of alumni donors also declined in FY20. Contributions were on track prior to the onset of COVID.

Donors successfully completed the \$5MM matching gift challenge in FY20. Additionally, donors responded positively to cause-related solicitations, including Giving Tuesday, Cooper Together, and the most recent COVID relief fundraising. Looking ahead to FY21, fundraising thus far is tracking slightly ahead of the previous year. Much of this is attributed to the support generated from the Concert for Cooper. The goals for FY21 have been reset in the context of the pandemic.

### **Finance and Business Affairs Committee**

The Proposed FY22 Tuition & Fee Schedule was presented to the Board. Per the Plan, the Committee is recommending a 0% increase to undergraduate tuition and a 3% increase to graduate tuition. The Committee is also recommending combining the currently separate student fee and lab/materials fee into one comprehensive student fee. The revenue from the studio/lab fee only covers a small portion of expenses relating to studios and labs, and all students pay this fee, regardless of whether they are enrolled in a studio/lab or not. The terminology thus does not adequately describe the fee, and the proposed all-inclusive student fee will enable our enrollment and billing teams to more effectively communicate about the fee.

Upon motion duly made and seconded the proposed Schedule was approved.

The Committee reviewed highlights of the FY20 Full Year Preliminary Results. A synopsis of the Budget Variance Report is as follows:

FY 2019	YTD Actual	FY 2020	% Earned
---------	------------	---------	----------

	Actual	Jun-20	Budget	or Spent
Total Revenue	84,922	81,181	84,072	97%
Total Expenditures*	71,188	73,095	76,237	96%
Cash Surplus Before Endowment Payout	13,734	8,086	7,835	
Endowment Payout	4,450	4,630	4,630	100%
Cash Surplus Net of Endowment Payout**	\$18,184	\$12,716	\$12,465	

\*Net of 41 Cooper Square Flood Repair expense reimbursement from insurance. All costs, with the exception of insurance deductible of \$10K, were covered in FY19.

\*\* These funds are allocated to critical priorities according to the Plan.

Cooper Union ended the fiscal year on budget, the result of a number of factors. While the CARES Act from the federal government provided additional relief, the majority of the offset to reduced revenue came through reduced expenses, leading to a \$3MM favorability on operating expenses. Additionally, certain capital projects were deferred as construction in New York City was forced to pause during the height of the pandemic, saving approximately \$1MM in capital expenses. These projects and their expenses will be part of the capital plan for a future year to prevent a backlog in deferred maintenance and capital investment in the academic program.

These expense savings were matched by revenue expectations falling short by \$2.9MM for the fiscal year due to COVID. This was a result of lower fundraising contributions, lower matriculated fees from certain programs and conferences that were not held, reduction in residence hall revenue resulting from partial spring refunds and canceled summer rentals, and zero facility rental income between mid-March and the end of June. Additionally, with the retail sector continuing to struggle, Management did not receive revenue from retail tenants in the final quarter of the fiscal year.

Trustees asked whether Management has been able to apply to have Payroll Protection Program loan converted to a grant. To date, the application portal through the bank has not opened. Management feels confident they have followed the guidance for the loan usage as it was used exclusively for payroll, utilities, and rent, but as they ultimately cannot predict the government's decision of forgiveness, it remains designated as a loan (and, therefore, is not included in our income/revenue line). Trustees agreed with this conservative approach. If the \$6MM loan is forgiven, it will be reclassified according to Generally Accepted Accounting Principles (GAAP), eliminating it as a liability and recognizing it as revenue.

Despite the revenue shortfall and the losses experienced this fiscal year on the contributions and cash & investment returns, Cooper Union remains within the cumulative guardrails outlined in the Plan.

The Co-Chairs reported that as there are a number of new Trustees and Representatives to the Board this year, Management will plan a training session for financial reporting before the November Committee meeting.

### **Free Education Committee**

The Committee Chair reviewed the Quarterly Progress Report with the Board. Cooper Union is on Plan with respect to all key financial metrics. Rental revenue remains behind Plan goals this year, particularly affected by the inability to rent facilities since March of this year. Additionally, we are mindful of the contribution guardrail, ending up \$1MM short of the guardrail this year, but from past successes, still ahead of the overall cumulative guardrail by \$3MM.

Two key risks to Plan were reviewed:

- Tax Equivalency Payments (TEP) – The Chrysler TEP revenue was lower than expected due to lower tax rates and lower assessment value (the result of higher vacancy rates). This gap has been filled by positive TEP revenue associated with the Astor Place properties. However, as The Cooper Union has no control over the amount of these payments, they will continue to be considered a risk to the Plan.
- The COVID-19 Pandemic – This risk, not contemplated in the Plan, resulted in revenue falling short of budget by \$2.9MM from unfavorable retail real estate revenue results with tenants’ inability to make payments, lower nonmatriculated fees with the cancellation/deferral of certain programs, less dorm and facility revenue from the campus shutdown in March, and reduced contributions from economically challenged donors.

## Investment Committee

Cambridge provided materials in the advance of the meeting, showing investment balances and market performance results as of July 31, 2020. The Investment Committee has continued to meet monthly with Cambridge through the COVID-19 pandemic to monitor market trends during an uncertain time.

As of July 31, 2020, Cooper Union’s portfolio balance was approximately \$204.7MM. Performance is summarized as follows:

Portfolio/ Benchmark	CYTD 2020	FY 2020	Trailing 1-year	Trailing 3- Year	Trailing 5- Year	Trailing 10- Year
<b>Total Assets</b>	-1.6	+1.3	+3.9	+5.6	+5.1	+5.9
<b>Total Assets ex Cash</b>	-1.6	+1.5	+4.4	+6.3	+6.1	+6.9
<b>Cooper Union Dynamic Benchmark</b>	-4.9	-2.1	+0.8	+3.2	+3.4	+4.3
<b>Total Assets Benchmark</b>	-5.2	-2.8	-0.4	+2.7	+3.3	+4.9

With respect to asset allocation, Cooper Union is within all policy target ranges as outlined in the Investment Policy Statement (IPS). Primary changes in allocation from the previous quarter include an increase in Public Equity allocation, from 41.8% to 45.6%, to bring this asset class to the 45% policy target. In addition, the private investment allocation was reduced to a further underweight position from 17.3% to 15.0%. The Committee is working to implement a strategy to reach the policy target over time in a prudent manner.

The Board requested an update on the Committee’s considerations of environmental, social and governance (ESG) investment criteria. The Co-Chairs shared that determining a sound approach with respect to ESG criteria remains a focus of the Committee, including consideration of how to address ESG matters without sacrificing the financial returns that provide critical operating and scholarship funds. The Co-chairs reminded the Board that the Committee made an investment earlier in the year in an ESG index fund and noted that, while it represents an initial step to understand how ESG can be considered in the portfolio, it will be important to both establish clear principles and criteria with respect to ESG investing and recognize the challenges associated with setting an ESG strategy in a portfolio like Cooper’s since all of the investments are in multi-holding funds. The Committee will seek to take up these broader considerations with the Board in the second half of 2021.

## **Audit Committee**

The Chair of the Audit Committee provided an overview of the Defined Contribution Audit. As previously reported to the Board, the Audit noted a material weakness in internal controls that was first reported in 2009. The Committee Chair reminded the Board that this is not a new material weakness and is related to the amended regulations issued by the Department of Labor in November 2007. The amended regulations eliminated an exemption granted to 403(b) plans from the annual Form 5500 reporting, disclosure, and audit requirements under the Employee Retirement Income Security Act of 1974, as amended. The elimination of this exemption meant that records kept under the previous requirements were no longer sufficient. The audit opinion, as it has in the past, addresses this issue, and the issue will be communicated to the Audit Committee every year until it is no longer applicable (i.e., until employees whose records were collected under the old requirements are no longer in the plan). Grant Thornton does not have any current concerns related to this issue but is required to note that deficiency in their report every year.

The Committee Chair noted that the audit of Cooper Union's FY20 financial statements is underway and should be completed by December. The Committee will present the statements for the Board's acceptance at the December meeting.

## **Governance Committee**

The Committee presented the 2021 Board and Committee Meeting Schedule for approval. Upon motion made and second, the schedule was approved.

As part of the Board's ongoing succession planning, Trustees were encouraged to nominate strong candidates for the Board whose skill sets and qualifications align with the Board's current and future needs. In light of the Trustees terming off this year, the Committee has been focusing on candidates to fill the expertise gaps of those who are leaving.

The Governance Committee has discussed and shared proposed amendments to the Board's Bylaws. While the discussion of the changes will occur in Executive Session, the proposed changes were shared with the Representatives, who have the opportunity to provide feedback during the Governance Committee meetings. The Committee reviewed the proposed changes with the Board, and the Board provided feedback. In consultation with outside counsel, the Governance Committee will revise accordingly, and make a recommendation to the Board for approval at the annual Board meeting in December.

Representatives participated in the discussion throughout the meeting, but also commended the Board for their time and expertise during this unprecedented year.

There was no New Business. The Board moved to an Executive Session and the meeting adjourned at 12:30 p.m.