

# THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

## **Board of Trustees Meeting**

March 11, 2022 10:00AM

### PARTICIPANTS

Trustees:	Anne Chao, Maurice Cox, Brickson Diamond, Pam Flaherty, Judy Freyer, Adriana Gomez, Dana Hughes, Aftab Hussain, Tim Ingrassia, Malcom King (Chair), Lynn Lander, Jamie Levitt, Lou Manzione, Cristina Ross, Brian Steinwurtzel, Robert Tan, Carol Wolf, Shirley Yan
Officers:	President Laura Sparks, Treasurer John Ruth, Secretary Charlotte Wessell
Financial Monitor:	Richard Faughnan and Ron Salluzzo
Representatives:	Diana Agrest, Raffaele Bedarida, Steven Hillyer
Guests:	Kyle Johnson (Cambridge Associates)
Absent:	Joseph Dobronyi, Elizabeth Graziolo

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The meeting, conducted via video conference, was called to order at 10:02 a.m. and began with an Executive Session. The Regular Session was called to order at 10:18 a.m.

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

- Approved a tenure application in the School of Engineering;
- Nominated Ben Vinson for election in June as Trustee; and
- Approved updated Committee memberships for 2022.

Mr. King also acknowledged and thanked Lynn Lander for his service on the Board, as his term ends this quarter. The Board is grateful for the four years of service from Mr. Lander as a dedicated Trustee and alumnus of the school. Mr. King recognized an incoming Faculty Representative to the Board, Amanda Simson, in the School of Engineering.

Mr. King invited the Financial Monitors to present key findings from their annual report, submitted on February 15. The Financial Monitors reviewed the following:

- Cooper Union's financial performance in FY21 demonstrated impressive progress despite the challenges presented by the continuing global pandemic.
- Cooper Union experienced a rebound in operating revenues of about 12% over 2020 and was able to manage costs so that an operating margin of over 21% was realized. This allowed continued allocation of funds for key priorities required by the Plan.
- The operating results for FY21, as reflected in the audited financial statements, show a \$22.0MM surplus as compared to an \$11.7MM surplus in 2020.
- The surplus remains insufficient to restore fiscal viability for Cooper Union without some continuing level of support from student revenues. Continuing operating surpluses will be critical to Cooper Union's achieving a full-tuition scholarship environment, and the Board's Plan projects for this in the coming years.

The Financial Monitors also included their perennial notes of concern – continued progress is dependent on:

- Continued payment of Chrysler Rents
- Continued management of expenses while addressing the need for increasing investment in capital plant, curriculum, and services
- Continued expansion of philanthropy, particularly current-use philanthropy

The Board reviewed items on the Consent Agenda for approval, which was provided for advance review. Upon motion duly made and seconded, the Consent Agenda including the following items was approved:

- December 8, 2021 Board of Trustees minutes
- Resolution 2022-1: authorizing signatory rights for President Sparks and Chair King for accepting a grant from the New York Regional Economic Development Council
- Committee Charter and 2022 Work Plan for the Compensation Committee

*Student, Faculty, and Staff Presentation:*

At each quarterly meeting, the Board learns more about progress on Cooper's institutional goals and strategic priorities through student, faculty, and/or staff work in these areas as part of a guest presentation. This quarter highlighted new initiatives to promote the Great Hall, undoubtedly one of Cooper Union's most prized assets. As stated in the Board-approved institutional goals and strategic priorities, Cooper is committed to positioning the Great Hall as a premier forum to advance critical issues of our time, as it has been for more than 160 years. Through a generous grant from the Robert David Lion Gardiner Foundation of New York 2018, Cooper Union is preparing to launch [\*Voices of the Great Hall\*](#), a digital platform encompassing all known sound and video recordings made in the Great Hall dating back to John Dewey's 1941 address "In Philosophy." The archive makes this historic collection, which documents over 3,000 Great Hall programs and includes photographs, fliers, press releases, and other ephemera dating back to 1859, now widely accessible and brings awareness to this historic place. The archive will formally launch with a celebratory public program on Tuesday, May 17 at 6:30PM in the Great Hall.

Ms. Sparks introduced members of the project team: Steven Hillyer, the Director of the Architecture Archive and Project Director; Lisa Norberg, the Director of the Cooper Union Library; Dale Perreault, Senior Library Technician; and Elizabeth Sardes, a junior mechanical engineering student, who served as an intern on the project.

The team shared highlighted video clips and imagery from the archive, as well as the goals of the projects and the plans for leveraging this treasure trove of material for the benefit of Cooper Union. Following the presentation, Trustees discussed the communications opportunity this presents for Cooper Union and the importance of utilizing this content in creative ways. Trustees thanked the staff and student presenters, who then departed the meeting.

*President's Report:*

Ms. Sparks began by thanking Lynn Lander for his service over the past four years as Alumni Trustee, particularly his work as Chair of the Audit Committee, where he helped shepherd an Enterprise Risk Management annual plan. She then reviewed key points of the quarterly memo, which as standard, was shared with Trustees in advance of the meeting and reviewed the activities of the previous quarter.

Ms. Sparks shared plans for the upcoming quarter, including the generative work the Board will take on at the annual retreat in June. She recapped the last five years, which were spent building and executing on a long-term financial plan with fidelity and injecting new initiatives into the degree-granting programs with

existing resources, new grants, new faculty, and select new leadership. This has included creating new minors in Bioengineering and Computer Science; partnering with esteemed institutions from MoMA to Mount Sinai on projects; and fundraising to build facilities like the IDC AACE Lab and Benjamin Menschel Civic Projects Lab. Additionally, the school has engaged in several test-and-learn strategies around civic and multi-disciplinary work, to ensure the appetite is present before making significant cultural shifts and large-scale investments. As part of upcoming discussions related to future years’ budgets and Plan progress, the Board will begin thinking about the next multi-year plan for Cooper Union. The academic programs are at a prime moment to take their work further, with a particular focus on developing further synergies across the programs and Cooper’s civic and cultural role in New York City. Trustees will discuss the investments and strategies needed to achieve this next phase.

**COMMITTEE REPORTS AND UPDATES:**

The seven Committees of the Board met for their quarterly meetings in February. Based on the Board’s annual Work Plan, the Investment Committee, Finance and Business Affairs Committee, and Academic and Student Affairs Committee delivered in-depth reports at the meeting. The remaining Committees provided updates prior to the meeting, included below.

**INVESTMENT COMMITTEE REPORT:**

The Committee shared the value of Cooper Union’s investment portfolio as of December 31, 2021: \$305.8MM, +4.9% fiscal year to date (FYTD) and +18.1% for the calendar year (CYTD). The Committee noted that the value has since declined due to a downturn in the market, and Cambridge provided updated performance numbers to the Committee Chair and Management as needed, with a formal update for the Board planned for the next meeting as is standard practice based on final reporting for the period. During the Committee’s quarterly meeting, upon recommendation from investment consultant Cambridge, the Committee approved a \$20.5MM rebalancing by deploying cash into existing public equity managers to move closer to policy targets.

The Committee shared the progress of the Enterprise Review, which was completed last quarter analyzing the portfolio’s strategic target asset allocation and the role of the portfolio in supporting Cooper Union’s operations. Kyle Johnson from Cambridge Associates joined the meeting to present the overall results and the recommended changes to asset allocation ranges and targets, below, for the Board’s approval.

Asset Class	Current Target Allocation (%)	Proposed Target Allocation (%)	Proposed Allowable Range (%)
<b>Growth</b>	70%	70%	60 – 80%
Global Public Equities	50%	45%	30 – 80%
Private Investments	20%	25%	10 – 35%
<b>Volatility Dampeners</b>	30%	30%	20 – 40%
Hedge Funds	20%	20%	10 – 30%
U.S. Core Bonds	5%	-	-
U.S. Intermediate Treasuries	-	4.75%	0 – 15%
U.S. TIPS	-	4.75%	0 – 15%
Cash	5%	0.5%	0 – 15%

The key changes include:

- Maintain the portfolio’s equity bias, consistent with current asset allocation policy, to grow the Long-Term Investment Portfolio (LTIP) to support Cooper’s 10-year financial plan
- Increase exposure to Private Investments from 20% to 25%. The baseline expectation of inflows into the LTIP will enable the portfolio to comfortably accommodate this exposure while still meeting liquidity needs
- Maintain the portfolio’s 20% allocation to Diversifiers (a.k.a. Hedge Funds), which should help contribute to returns while reducing the overall volatility
- Establish modest allocations to U.S. TIPS and Treasuries, highly liquid asset classes that can serve as a hedge against inflation and the effects of a prolonged economic contraction, respectively
- Reduce the portfolio’s allocation to Cash from 5% to 0.5% in order to enhance portfolio returns while still providing a ready source of capital for Private Investment capital calls. The Committee discussed this extensively and confirmed with Mr. Ruth that the combination of this new allocation with TIPS/Treasuries and additional working capital maintained outside of the investment portfolio should provide the institution with a sufficient cash position.

Trustees engaged in discussion with Mr. Johnson about the process of migrating to these adjusted targets. Upon motion made and seconded, the Board approved the new target allocations and allowable ranges. These will be implemented into Cambridge’s strategy immediately and adopted into the Investment Policy Statement during the annual review in December.

## FINANCE AND BUSINESS AFFAIRS COMMITTEE REPORT

The Committee reviewed the budget variance report for the second quarter of the fiscal year, ending December 31, 2021.

	FY21 Actual	YTD Dec 2021	FY22 Budget	% Earned or Spent
Total Revenue Before Endowment Payout	81,730	54,815	83,216	66%
Less: Total Expenditures	(70,818)	(38,321)	(82,084)	47%
Surplus Before Endowment Payout	10,912	16,494	1,132	
Plus: Endowment Payout	4,680	2,683	5,365	50%
Total Surplus Available for Plan Priorities	15,592	19,177	6,497	

At the mid-point in the fiscal year, financial performance remains within the FY22 budget. Mr. Ruth shared that Management continues to monitor the impacts of COVID-19 on expenses and revenue. Summary of key year-to-date impacts are as follows:

- As previously shared, the final real estate tax assessments decreased by an additional 3.7% from budgeted levels. Tax rates in New York City rose 0.58% to slightly reduce this negative variance.
- A new forbearance agreement with a retail tenant yielded additional unbudgeted revenue.
- Undergraduate student enrollment is 869 in Fall 2021, up significantly from 797 in Fall 2020 (reduced because of pandemic effects, including challenges for international students acquiring visas and increased leaves of absence). The budget assumed resumption to pre-pandemic enrollment levels (840 in Fall 2019), which was surpassed by 3%. Historically,

enrollment decreases during the spring semester, primarily due to seniors having completed required courses by December but not graduating until the end of the academic year in May. (As a comparison, enrollment levels in the prior year were 797 and 763 for the fall and spring semesters, respectively.) It is too early to determine any additional negative enrollment effects the pandemic may have on the upcoming spring semester.

- Scholarships remain at Plan target levels of 78.5% overall.
- Occupancy in the student dorm is approximately 93%, compared to 40% last year with density restrictions in plan for the pandemic. A few apartments are designated for quarantine purposes this year, keeping levels below full occupancy.
- The budget assumed facilities rentals, which were put on hold for the pandemic, could resume in earnest this year. However, the appetite for rentals and events has been slow to develop, resulting in a negative variance.
- The Payroll Protection Program loan from April 2020 was fully forgiven this fall. As a result, \$6.6MM of additional revenue will be reflected in FY22. The expenses associated with this revenue were borne by the institution in FY21.
- Expenses relating to health and safety measures in place, specifically COVID testing offered on campus as Cooper is requiring negative tests weekly, are higher than budget. Management expects some of this to be offset by federal relief funding and operational savings.

Cumulatively, we remain ahead of all four guardrails but are cautious about the FY22 performance, particularly with the uncertainty of the investment market.

As the FY23 budget process is underway, Mr. Ruth highlighted the key considerations and challenges for the financial Plan in the coming fiscal year. At the Q2 Finance & Business Affairs Committee meeting, Management will present a proposed budget for FY23 for the Committee's recommendation to the Board. Per previous discussions, budgeting will continue to focus on net results, with an eye toward ongoing expense management. In addition, Management will remain cognizant during the budget process of what areas of operations may continue to be affected by the pandemic or will be newly affected. This includes continued revenue challenges from real estate and facility rentals, expenditures needed for health and safety protocols, and resumption of hiring for positions that provided headcount savings over the past two years.

The Finance Committee shared the topics that arose from a discussion with members of the Free Education Committee about the questions and considerations that should be addressed as we review the outlook on key metrics of the Plan midway through the Plan period. The Committee discussed important components of assessing Plan progress and achievement, including levels of reserves compared to targets, considerations of future space needs, further evaluation of deferred maintenance and other capital needs, assessments of revenue streams, and investment market dynamics, in addition to the critical CFI metric.

As next steps, Management will present a framework showing the current allocations to Plan priorities and begin to analyze the post-Plan financial structure and begin discussing what post-Plan financial targets and allocations should be. The Board will review and discuss these metrics and their impact on the Plan at the annual retreat in June.

## **ACADEMIC AND STUDENT AFFAIRS COMMITTEE REPORT**

The Visiting Committee for Humanities and Social Sciences (HSS) is in the final stages of preparing a report of recommendations for the future of HSS. The Committee's charge was to assess and, as needed, reimagine the structure, curriculum, and pedagogical approaches of HSS through a thoughtful and comprehensive process. Their recommendations will cover structural, process, and faculty matters; curriculum and teaching; ways to implement innovation; and ideas for reaching beyond Cooper. Ms.

Sparks expects to receive the report in the next few weeks and will share it with Trustees prior to its publication to the broader Cooper community.

Ms. Sparks shared the Cooper Union School of Art has assessed whether to leave its discipline-specific accrediting body, the National Association for Schools of Art & Design (NASAD) given the Association's shifting relevance in the field. The Cooper Union is accredited at the institutional level by the Middle States Commission on Higher Education; each program also is accredited by a discipline-specific body. The peer assessment and external review that is a central feature of the NASAD accreditation process had been a useful accountability and assessment measure. However, the changing membership of NASAD, including the exit of all major independent art schools, and as a result, the changing composition of the peer reviewers, now make the assessment less meaningful and relevant. The assessment process requires significant time, people, and financial resources and no longer provides a corresponding benefit. Management also considered whether withdrawing from this accrediting body is likely to have an impact on student interest and enrollment in the school and ultimately came to the conclusion that it should not since all of Cooper Union's peers and aspirational peers have already withdrawn from NASAD, relying instead on their institutional accreditation through their regional accrediting body. Therefore, Management is proposing not to seek renewal of NASAD accreditation as planned next spring and as a result, not renew membership. Instead, a substantive review plan, including a periodic external visit by independent outside experts and a strategic planning process, will be implemented. The Academic and Student Affairs Committee supported the decision, subject to a conversation with Middle States, the institutional accrediting body. Following this conversation, Ms. Sparks will provide an update to the Board next quarter.

## COMMITTEE UPDATES

The following Committees met during the first quarter of the year and shared relevant updates for the Board in the meeting materials. Key points include:

### *Free Education Committee*

The Chair of the Committee reported on Plan progress. The school is on track for the majority of targets, aside from the goal in facility rental revenue, which has been further affected by the pandemic. The Committee will continue to monitor the Plan semi-annually and prepare for an upcoming mid-Plan review.

### *Alumni Affairs and Development*

With nearly \$8.3MM in current-use funds (including cash and pledge payments) raised by December 31, 2021, fundraising is currently 45% ahead of this point last year (\$5.8MM). Current-use fundraising is at approximately 74% of the year's goal. The total fundraising result (including pledges) is \$9.8MM, compared to \$6.4MM at this time last year. This is 73% of the year's goal.

The \$4MM Matching Gift Challenge was completed this month. As the challenge promoted new and upgraded giving, more than one third of the donors were first-time givers to Cooper, and nearly one third of participants increased their gift.

### *Audit Committee*

The Uniform Guidance Audit for FY21 will be filed by the March 31, 2022 deadline. In the auditor's opinion, Cooper Union complied in all material respects within the scope of the audit and there were no matters of concern reported.

Cooper's property and casualty coverages renewed on February 14 with a 7% overall increase. The property and casualty insurance marketplace has continued to see significant rate increases for most lines of coverage, and the education sector has been strongly impacted due to large claim payouts for sexual abuse, discrimination, and now, the pandemic. Though this increase is challenging, comparatively, it is a lower increase than at many other institutions of higher education, and lower than the 12% Cooper Union experienced last year.

#### *Governance Committee*

The Committee is continuing ongoing succession planning to ensure the Board is actively prepared to fill openings. After a year with several new Trustees elected to the Board, the Committee is shifting focus to long-term cultivation. Following the nomination of Ben Vinson to be elected at the June meeting, the Committee will prepare for seating the next Alumni Trustee, as elected by the Cooper Union Alumni Association, and Student Trustee in June.

#### **NEW BUSINESS**

Members of the Ad Hoc Gift Committee, as established by Cooper Union's Institutional Gift Acceptance Policy, reported the approval of a naming opportunity associated with a targeted capital fundraising campaign.

Representatives participated in the discussion throughout the meeting and had no additional comments at this time. The Board moved to Executive Session at approximately 1:22 p.m. The meeting adjourned at approximately 2:15 p.m.