

THE COOPER UNION ALUMNI PIONEER

Actual Questions Asked Frequently

by Barry Drogin, EE '83

After *The Alumni Pioneer* published *The Student's Guide to The Cooper Union Financial Crisis* on YouTube <<http://tinyurl.com/canbgkt>>, TC Westcott decided to publish a "Frequently Asked Questions" page on the Cooper Union website. It's quite convenient to ask questions yourself that you decide to provide the answers to. The problem is, there is absolutely no evidence that anyone has ever asked any of the questions in TC Westcott's FAQ. On the other hand, for almost a year, *The Alumni Pioneer* has asked the administration many questions that they refuse to answer. So we'll take a cue from TC and re-publish the actual questions we have asked and, like TC, provide our own answers.

The most frequent question asked of the administration in this financial crisis is for an actual accounting of the expenses of The Cooper Union. Sounds simple enough, no? On October 31, 2011, The Cooper Union actually showed this information to students and alumni who attended a meeting sponsored by the Engineering Student Council. Here is a lengthy exchange between the publisher of *The Alumni Pioneer* and TC Westcott asking for that information (we only managed to write down the first few numbers before TC moved to the next slide, and there are no photos or videos of the slide):

On 11/6/2011, Barry Drogin wrote: Ms. Westcott, please provide an advance copy of the 2011 Financial Report.

On 11/9/2011, TC Westcott wrote: Mr. Drogin, will send along info tomorrow. I am out of the office for the next several days so I need to coordinate with staff in the office to get info to send.

On 11/17/2011, Barry Drogin wrote: Per below, I have already asked for the last Financial Report. I have two photos of the second slide, which shows E&G, Auxiliary Enterprises and Imputed Investment Income for FY 2011 and 2012. If you can't provide me with a PDF of the first slide because it contains the FY 2012 projections, perhaps you can do a little PowerPoint delete and send me just the FY 2011 info. I'd really like to group those expenses into a pie chart similar to the 1979-80 data, so I can compare apples to apples.

On 11/22/2011, TC Westcott wrote: The board is planning to present the results of the analysis to the community on December 16; however, I would be glad to make copies of the audited financial statements available if you would like to conduct your own review in the interim.

On 11/23/2011, TC Westcott wrote: As requested, I am sending the information in two e-mails Part I (2000-2005) and Part II (2006-2010).

On 11/29/2011, Barry Drogin wrote: Ms. Westcott, I have the Form 990s and consolidated financial statements, but not the presentation on Halloween. If the issue is the FY 2011 audit, then how about the FY 2010?

On 11/29/2011, TC Westcott wrote: Mr. Drogin, Because there has been lack of clarity with what numbers mean, I am no longer providing information other than the audited financial statements and the filed 990. The most recent published audit is FY 2010 and the most recent 990 is FY 2010.

On 11/30/2011, Barry Drogin wrote: Ms. Westcott, Would you at least provide me with the text at the left of the first slide, without the numbers? Then I could judge whether the information presented on Halloween was merely a repeat of information otherwise available from the Form 990 and the audited financial statement, and would leave you alone for the nonce.

The Alumni Pioneer ran a photo of TC Westcott standing in front of the Revenue slide with the words, “WE WANT THE EXPENSE SLIDE! WE WANT THE EXPENSE SLIDE!” on its front page. At the first community summit, *The Alumni Pioneer* projected that image on to three screens in The Great Hall and chanted into a microphone, “WE WANT THE EXPENSE SLIDE! WE WANT THE EXPENSE SLIDE!”

On April 26, Friends of Cooper Union published “The Way Forward,” including these passages:

Sometimes you have to go backward to go forward. If we scaled [Supporting Services] back to 2001 levels, Cooper would save almost \$4 million annually. Because the Consolidated Financial Statements are not consistent in their accounting categories from year to year between 2001 and 2011, it’s hard to identify another date to which it would be wise to scale. However, it stands to reason that we could reasonably scale the Supporting Services back to a \$2 million midpoint they could have theoretically reached in 2006, the year the Master Plan to reduce annual operating expenses failed to go into effect.

It’s impossible to find a consistent, coherent financial history of Cooper Union that clearly tracks revenues and expenses over time, and it’s unclear whether the muddled and inconsistent financial records are due to lack of data, poor recordkeeping or intentional obfuscation.

Based on the data we have seen, it appears that Cooper’s expenses have increased far faster than either the rate of inflation or the higher education cost index. It is difficult to match the rapid increases in Cooper’s expenses to their causes. Are these increases a function of higher headcount, compensation increases, increased benefits costs, higher overhead expenses, or what? It is unclear why it cost twice as much to educate the same-sized school in 2011 than in 1999.

An honest, true accounting of the expenses of The Cooper Union has been the most frequently asked question by the entire Cooper Community since the financial crisis was announced. But aside from a quick glimpse at the expenses on October 31, 2011, The Cooper Union refused to provide even a semi-decent answer to that question until June 6, 2012. They put it in the final page of the Expense Reduction Task Force Final Report, as Appendix B, and *The Alumni Pioneer* immediately published it on its front page.

On the next page are graphical representations of the answers actually provided to the Cooper Community’s number one question:

Student Aid		\$2M	Student Aid		\$2M
Student Housing		\$2M	Student Housing		\$2M
Student Services	\$4M		Student Services	\$3M	
Public Service	\$4M		Public Service	\$3M	
Fundraising	\$4M		Fundraising	\$3M	
Management and General	\$10M		Management and General	\$8M	
Academic Support	\$19M		Academic Support	\$14M	
Instruction	\$25M		Instruction	\$18M	
				\$10M	\$9M

Other	\$3M		Other	\$9M	
Office Expenses	\$5M		Administration	\$17M	
Occupancy	\$7M		Academic Support	\$4M	
Employee Benefits	\$10M		Schools and Humanities	\$20M	
Salaries	\$25M				
				\$10M	\$9M

The first is how the consolidated statements prior to FY 2011 represent Cooper's expenses. We got this the day before Thanksgiving, 2011. Then, the day before everyone left for Winter Break, we learned that hidden in those categories was \$10 million in interest (the debt service), and \$9 million in depreciation and amortization (the former is a fictional way of subtracting off the "value" of the NAB every year, the latter is a fictional way of subtracting off fees already paid for transactions in the previous decade). Then The Cooper Union decided to entirely reclassify everything into salaries, benefits, and non-employee expenses. Finally, in June 2012, TC Westcott showed us that expense slide, which kind of showed the true cost of academics vs. non-academics –

except now the salaries and benefits were again buried (the dotted line attempts to separate out salaries from benefits, but we know there is \$15 million in non-employee expenses buried in there from the previous graphic).

So, as the famous joke goes (recently repeated in HBO's "The Newsroom," written by Aaron Sorkin), does Cooper want to answer our most frequent question, or do they want to fuck around?

They want to fuck around.

Here are more questions *The Alumni Pioneer* posed to The Cooper Union that they have refused to answer:

NAB Financing – The previous VP of Finance set a goal for the capital campaign required to responsibly construct the New Academic Building. When that goal was not met, the decision was made to proceed with construction anyway. What steps, if any, were taken to mitigate the impact of the shortfall since the start of construction?

Apparently the answer is that no steps were taken.

NAB Construction – The NAB capital campaign was kicked off with a large donation from Sandra Priest Rose. A Board member since 1994, William H. Sandholm, is CEO of the Astor Place Holding Corporation and COO of Rose Associates. When the decision was made to select Jonathan Rose Companies to serve as real estate advisor and owner's representative for design and construction of the NAB, were other firms given the opportunity to be selected, what was the vetting process, and was The Cooper Union concerned about creating the appearance of impropriety in the selection, notwithstanding any claims of financial advantage in the selection?

Jonathan Rose publicly answered this question, Cooper has never responded.

Recession – In FY 2009, the market crashed, businesses were closing, and the full extent of the crisis was apparent to all business owners. The opening of the NAB followed in FY 2010. While PR stayed on message about the NAB, and even boasted to The Wall Street Journal and CNBC about how successfully The Cooper Union had weathered the recession, did The Cooper Union implement austerity measures outside of the media spotlight and, if so, what measures were those?

Apparently, Cooper instituted no austerity measures. In fact, staff members of The Cooper Union have described FY 2009 as an out-of-control year-long party, with tons of overtime – and Capital Campaign goals that weren't met.

Chrysler Building – The administration has chosen to tell the media and the Cooper Union Community that the current financial crisis is due to the Chrysler Building, even though the paper value of and income from the Chrysler Building has increased every year. Does the administration regret that portion of the media campaign, will it stop pushing the Chrysler Building story, and will it take any steps to correct the record?

The Cooper Union has taken no steps to correct the record, and their new FAQ downplays the future revenues from the Chrysler Building.

New President – The Chairman of the Board of Trustees has told the Cooper Community that all final candidates for the presidency were informed about Cooper's financial situation prior to hiring. Although most new presidents typically enjoy a media grace period before they are judged, President Bharucha has been aggressive in pushing a "new president discovers financial crisis" narrative. Is this a mischaracterization of the narrative, or is it that the media has decided to adopt this narrative in order to simplify the story for the public?

The “new president discovers financial crisis” narrative is completely false.

Hiring Freeze – The administration has announced an immediate hiring freeze, yet job openings are still posted on the Cooper Union website. Has the process of interviewing candidates for these positions stopped? If not, what are candidates being told? Does the administration plan on making exceptions to the hiring freeze?

The Administration has made many exceptions to the hiring freeze. In fact, they’re so embarrassed by the announcement that they deleted all reference to the hiring freeze from the Cooper website reproduction of the letter that announced it.

Free Cooper Union Summit – On November 22, 2011, Rocco Cetera, the Alumni Council Vice President for Alumni Activities, provided the Office of Alumni Relations with text for an e-mail blast to the members of The Alumni Association. The text consisted of three events, including a community summit on December 5, 2011, in The Great Hall. That night, the e-mail blast went out to the Alumni Association with the event deleted. Did an employee of the Office of Alumni Relations make an independent decision to delete the event? Was the employee instructed to do so by someone else in the Development Office? Whoever made this decision, what was the reason for interrupting communication between an elected member of the Alumni Association and the Alumni Association? If charging tuition is truly a “last resort,” why would a staff member keep the Alumni Association from publicizing a meeting to discuss alternatives?

Multiple *Alumni Pioneer* sources have described how Jamshed Bharucha despises the Friends of Cooper Union in private, but publicly won’t dare say so, although the Administration has launched two attacks on “The Way Forward,” one in *The Villager* when Jamshed described the “hybrid framework” as “the most optimistic way forward,” the other in TC Westcott’s FAQ, which entirely misrepresents the contents of “The Way Forward” while presuming to criticize it.

Transparency – Perhaps in reaction to perceptions of the previous President, the new administration has promised “transparency” in its communications and in the information provided within the Cooper Union Community and to the media. How does the administration answer critics that it is selective in its transparency, and why has the administration imposed a media blackout on the financial story?

The “new transparency” is a sham, as has been demonstrated.

Growth – In past financial crises, The Cooper Union has gotten into trouble with presidential growth policies and eliminated resources and academic programs. Except for the hiring freeze, the administration has plans for new research initiatives, new partnerships, and has already started restructuring for growth. Is it the administration’s position that The Cooper Union’s only choices are between closing its doors or embarking on risky ventures which have the potential to result in closing its doors as well? Does the current administration believe that The Cooper Union, as currently constituted, must be destroyed, that its “reinvention” is not a possibility but a philosophical necessity?

We’ll know the answer to this on November 15, 2012.

Cy Pres Petition – The Board of Trustees has proclaimed that they publicly acknowledged that Cooper was in a “grave fiscal crisis” in a 2006 *cy pres* petition. The petition asked the Supreme Court of the State of New York for the right to mortgage the Chrysler Building; as a result, The Cooper Union obtained a \$175 million loan from MetLife. In the *cy pres* petition, the administration estimated the combined cost of the new academic building and Foundation Building renovation as between \$130 million and \$155 million. In 2006, how much money had been raised in the building fund, and why did The Cooper Union take out a loan for \$175 million?

The Alumni Pioneer estimates that Cooper had only raised \$60 million in the building fund, and agrees with the popular opinion that the “rush to build” without raising sufficient funds was a horrible mistake.

Operating Expenditures – Perhaps the most important of the six initiatives of the Master Plan was a promise to reduce operating expenditures by 10% by 2011. President George Campbell made a similar promise to the Cooper Union Community in the issue of *At Cooper Union* that came out after the 2008 financial collapse. Why did the Board approve operating budgets that **increased** on average by 10% **per year** in FY 2007 through 2011?

We know now that the Board had no choice – a major portion of the post-crash operating budgets is actually the commencement of the indebtedness of \$10 million per year after the NAB was finished. We are just beginning to learn of other major expenditures during those years as well.

Hedge Funds – What is the name of the hedge fund manager and hedge fund that The Cooper Union invested in starting in FY 2003? What was the value of the hedge fund in September 2008 and in October 2008?

The Cooper Union has directly refused to answer either of these questions.

Hiring of the President – Chairman Epstein told the Cooper Union Community that when the presidential search was narrowed to a few finalists, “they were all given full disclosure about the school’s finances.” The presidential search process ended, however, with Trustee Stanley Lapidus contacting Dr. Jamshed Bharucha on a Saturday morning, meeting him for lunch, flying him to New York City the next day, and offering him the job that evening. Had the other candidates refused the position because of the financial circumstances of the college, or did the Board reject the other candidates because of their proposed solutions?

Wouldn’t we like to know?

Process – In his Presidential Address, President Bharucha stressed the importance of process in solving the fiscal problems of The Cooper Union. He sent his regrets at not being able to attend the Free Cooper Union: A Community Summit on December 5, 2011. Did the President see the follow-up Break-Out Sessions on January 5, 2012, as a part of the process, or does he reject the activities of the organizers as being outside of the process?

We know that Jamshed Bharucha has totally rejected the FOCU process.

Revenues – After selection as President, Dr. Bharucha said that The Cooper Union had “enormous unfulfilled potential” and announced plans for a Revenue Task Force. He suggested that The Cooper Union “reinvent” itself by “encouraging a culture of vigorous research, scholarship, and other creative pursuits, as well as inventive and entrepreneurial activity” that “involves the elaboration of ideas into tangible works.” Is there a fundamental disagreement between President Bharucha and those alumni that think that The Cooper Union should remain small and concentrate on providing an undergraduate education that is “equal to the best”?

Yes. We know now that Jamshed had full knowledge of a similar fundamental disagreement at Dartmouth (after he left).

Governance – Members of the Alumni Council are questioning whether the restructuring of the Development Office is in violation of the Memorandum of Agreement of 1974 (amended in 2000). What is the administration position? Does it disagree, or is it seeking to negotiate a new amendment?

Keep your eyes on the CUAA President.

Endowment – *The New York Times* keeps repeating remarks from President Campbell that the endowment dropped to below \$100 million in FY 2002 and has risen to over \$600 million. Of course, this fails to take into account the change in accounting principle which placed the fair value of the Chrysler Building into the endowment in FY 2003, and the *Times* and other media outlets continue to misunderstand the difference between Cooper's real estate holdings and its investment portfolio. Has the Office of Public Relations prepared press materials that accurately reflect this difference so that future news stories about the Cooper financial crisis will be accurate?

No.

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