



COOPER UNION HISTORY PROJECT

Pompton Township: First Board Endowment Mess

by Barry Drogin, EE '83

Abstract

Turns out that mishandling of endowment funds, violating the Charter, and attempting to cover-up the mess dates back to the founding of The Cooper Union, its first endowment gift, and the original Board of Trustees.

While working on the first version of the Cooper Union History Project website, I started to compile financial data on The Cooper Union from its earliest days. This involved plunging into the Annual Reports – exactly equal to the process of plunging into the Consolidated Financial Statements that were made public in November 2011 – and typing a lot of numbers into a spreadsheet. Many of the line items tell stories – How much money was earned from the rentals of the Foundation Building? What year did The Cooper Union stop receiving money from the Amateurs? What year did the free lectures in the Great Hall become free to The Cooper Union as well, because the speakers all agreed to donate their time?

As part of this research, I stumbled across a history which the Annual Reports never discuss, except as a persistent line item in the financial statement. Here is a brief account of that story. Details and links can be found on the Cooper Union History website, currently residing at <http://www.notnicemusic.com/CUHP>.

In his 80th birthday year, 1871, there is much hullabaloo. Representatives of current students and prior graduates gather to address Peter Cooper and put in much effort engraving a plaque with text from the address. There is a grand reception at the Arcadian Club with lots of speeches from important guests. And, aside from past practices of providing money to build the Foundation Building (including adding floors) and make up for operational deficits, Peter Cooper makes a large restricted gift of \$100,000. The trustees are “requested to keep the said fund securely invested.” This is the definition of a restricted endowment gift – the amount of the principal cannot be used, only the interest it earns. Peter requests that one-half of the interest be used “for the formation of a reference and lending library” and the other half be used “for any purpose.”

The trustees invest the money in Pompton Township bonds, which are to earn 7% annually, or \$7,000 per year. This was at a time when the annual expenses of The Cooper Union had never risen above \$50,000 per year. This ends up being the first restricted endowment gift to The Cooper Union (Peter gives another small restricted gift of \$5,000 the following year for “gifts” (i.e., bonuses) for employees).

The trustees proceed to expand the budget of the Free Reading Room significantly, from 1872 onward. They do this despite the fact that they do not receive a \$7,000 payment from the bonds in 1872 – or in 1873, or 1874, or 1875. In fact, they never earn a penny of interest until they go to court and get a first single payment in 1880. The Reading Room expenses plunge The Cooper Union into deficit from 1873 through 1883. But the trustees keep assuming they will eventually receive what they are owed. They accumulate every year what they are owed from the bonds - \$7,000, \$14,000, \$21,000, \$28,000, up to \$49,000 – and, in violation of the Charter, they start taking out loans against the income they are not receiving.

Was Peter Cooper aware of this problem? If he was, did he believe, as the other trustees did, that the money would eventually be received, and so there was no reason to mention it, either in the Annual Reports (which were sent to the Common Council of New York City and to the New York State Legislature) or to the press? Or was he concerned that the investment would be seen as benefiting both The Cooper Union and the company he owned, the Trenton Iron Company? Or that it would embarrass his son and son-in-law, who ran the Trenton Iron Company for him?

Even more astonishing is that no one else mentions what is going on. Neither Cooper's or Hewitt's biographers mention it. There are at least two press reports, in 1880 and 1884, because there were major court decision, first by the Supreme Court of the United States, then by the Supreme Court of New Jersey. Cooper lost the first decision – although it finally got a first payment, although only \$12,500, nowhere near the \$56,000 it was rightfully owed at the time – and sort of won the second decision, where the Township attempted to collect taxes from the Trenton Iron Company in order to pay The Cooper Union the interest it owed.

As a footnote, this policy of mentioning the Pompton Township bonds (and legal expenses) in the “Receipts and Expenditures” report from the Treasurer but not in the text of the Annual Report itself is reversed when it comes to the Amateurs. When Susan Carter convinces the Board to let her revive the Amateur Class in Academic Year 1876 (although this time as a separate class in the afternoon, not as students mixed in with the other female art students), she (and the Board) openly discusses them in her reports and in the Summary Report (where they are referred to as the “pay class”), but they don't appear in the Receipts, as they did in their initial incarnation from 1859 to 1867. One presumes that Susan Carter collected the money directly and used it to pay the teachers and other art school expenses – literally keeping the money exchanged “off the books.”

The current version of this document can be found at <<http://www.notnicemusic.com/CUHP/pompton.pdf>>. Corrections to this document are appreciated and, if based on substantiated facts from legitimate sources, will be implemented by the author. The original version was completed on March 19, 2017.

The Cooper Union History Project website, <<http://www.notnicemusic.com/CUHP>>, is a space to publish research on Cooper Union's history with the aim of amassing a faithful representation of the principles, aims, and lessons of Cooper's past and present.