

McCUNE FOUNDATION

2019 ANNUAL REPORT

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CHAIRMAN'S STATEMENT - 2019

The McCune Foundation supports non-profit organizations that advance the quality of life for the people of Southwestern Pennsylvania by fostering community vitality and economic growth to improve the region for current and future generations.

The McCune Foundation was established in 1979 by the will of Charles L. McCune. The donor, a Director of The Union National Bank of Pittsburgh for 56 years, served as its President from 1945 until 1972, and then as Chairman of the Board until his death. His life was spent providing capital to people with good ideas and the ability to execute them.

Charles McCune also gave generously to charitable organizations, mostly in the Pittsburgh area, while seeking no public recognition of his philanthropy. He established the Foundation in memory of his parents, Janet Lockhart McCune and John Robison McCune. He left us a legacy less of what to do, and more of how to do it. As those who knew him will attest, his style of dealing with people and with challenges would be described as purposeful, simple, and direct. The foundation he created continues to provide capital to people with good ideas and the ability to execute them.

In the McCune Foundation's establishing document Mr. McCune required that all the assets of the Foundation be paid out in grants by October 16, 2029 and the Foundation cease operation on that date. The 2016 Chairman's Statement gave a history of the decisions the Distribution Committee has made to meet this requirement. Our commitment to the Sunset Strategy was made fully apparent in 2017. While our work continues in Education, Health and Human Services, Humanities and Economic Development, we no longer organize our grantmaking around these categories.

In 2019 the Distribution Committee approved 93 new and conditional grants totaling \$34,130,100. The Annual Report lists these grants. It is important to note that 69% of the grants were devoted to our Sunset Strategy (all Sunset grants and Concept Testing, Readiness, Ending Well grants and the majority of Director's Discretionary grants) but, more importantly, 89% of the dollars granted out were for this purpose. The Foundation is now thoroughly committed to the Sunset Strategy. With ten years left until the Sunset, our spending rate was 10.9% of invested assets.

Last year's Chairman's Statement explained how the strong investment markets are forcing us to adopt a gentle parabolic curve for spending instead of the "Constant Stream" we originally envisioned. This pressure continues.

Observations About Our Sunset

The Distribution Committee is now ten years into the twenty-year spenddown requirement and the numbers listed above demonstrate our Strategy in action. Experience has shown us that, while the Strategy is working well under current conditions, it will need further

tweaking if those conditions change. The result is that there is a clarity and focus to our work that is significantly increasing its impact. This is achieved by the Guiding Principles used to evaluate each grant request. The first principle is our mission of supporting organizations that improve the lives of the people of Southwestern Pennsylvania. The next layer is Granny's Rules – leave it better than we found it, don't start something if we can't finish and end well what we've started. The final layers are dicta we have developed – “leave a strong nonprofit community that can thrive after we are gone”, “support people with good ideas and the talent to execute”, “be transformative”, “transfer our DNA”, and “reach beyond the organization to a wider community.” The Guiding Principles direct the processes our Staff uses to identify quality proposals and they are in each committee member's mind as we read Project Summaries. For thirty years the McCune Foundation operated as most other foundations do. Yet it is only as we have been forced to face the Foundation's termination that we have been able to achieve that clarity and focus.

Why is that? At the base, any mistakes we make are very costly. Since the Sunset began, we know that we are dealing with limited resources and time. A grant that doesn't meet the expected result is opportunity lost somewhere else – forever. If the total resources of a grant prove to be insufficient, we will not be there to make up the difference. If a project proves to be unsustainable, that service to the people of Southwestern Pennsylvania will cease. As a result, our Staff has developed new tools to better understand organizations. Our Program Officers devote a great deal of attention to organizations' business models and their leadership and governance structures. The Project Summaries read by the Distribution Committee provide a higher level of detail by talking about the business model, expected outcome, past and current financial status, leadership and the summaries always finish with a description of the risks.

Another reason sunseting brings such focus is that we are dealing with a different timeframe than standard foundation work. A dictum not listed above is that Sunset grants will be devoted primarily to the top 130 grant recipients from our past. We know these organizations best. They have demonstrated the ability to reach their goals in the past. We know that they are likely to deliver in the future if we provide them with the right kind of capital. It forces us to look at a two- to four-decade continuum on each grant request.

Sunseting also means that our partners are working under a different timeframe. Many nonprofits live one budget year to the next. Leadership is forced to devote all their effort to meeting their budget so strategic planning and program expansion are often inhibited. Organizations requesting a grant must break this pattern and think strategically. Our Staff works extensively with our partners to ensure their plans are reasonable and sustainable, and that they have the capacity to deliver on them. It is fascinating to work with organizations so they can move out from their day-to-day pressures and dream of what they can be. Are mistakes made? Yes, but the Readiness and Concept Testing grants are designed to identify and correct them before the final investment is made.

Finally, sunseting means that we need to look very closely at the capital needs of an organization. We are no longer in the business of helping organizations meet budget. They

must be financially stable in order to absorb the larger Sunset grants and deliver on the sustainability that is required. This is a complicated concept requiring a great deal of Staff time and is a story for another day.

A Personal Note

My generation of McCunes has had the great privilege of being grantmakers for the past forty years. My service has included governance on three foundations founded by my ancestors, including 20 years at the McCune Foundation, and for two foundations in my home area where I serve as a program officer and trustee. Combined, I have had the pleasure of reviewing over ten thousand grant requests and delved into the operations of over one thousand nonprofits. I share this background to give importance to this statement: Nothing I have done as a grantmaker over the decades has been as interesting, challenging, rewarding and exhilarating as implementing our Sunset Strategy. The clarity and focus to our grantmaking previously mentioned creates the impact for which I, as a grantmaker, have yearned.

So, the McCune Foundation continues its journey, not toward the horizon, but towards its termination. There could be a sense of loss in that prospect. There is not for me, however, because we are seeing success in meeting all those Guiding Principles. It may not be the horizon ahead but it is our hope that it will be a lasting legacy.

Michael M. Edwards
Chairman

DISTRIBUTION COMMITTEE

Michael M. Edwards
Chairman

Adam B. Edwards

John M. Edwards (beginning August 2019)

Nathan D. Edwards (through May 2019)

Dawne S. Hickton

Kristen S. Kurland

Sarah McCune Losinger

James P. McDonald

STAFF

Laurel S. Randi
Executive Director

Kate A. Sphar
Senior Program Officer

Stephanie K. McCarthy
Program Associate

Valerie L. Fahrny
Grants Manager

Rachel E. Benson
Office Administrator

McCUNE FOUNDATION GRANTS

Fiscal Year 2019

2019 GRANTS PROGRAM

In 2019, the McCune Foundation awarded 93 new and conditional grants totaling \$34,130,100. In alignment with the Foundation’s Sunset Strategy, grants are assigned to one of three Grant Types: Sunset, Standard and PRI Redeployment, each of which also has multiple subcategories. These three Grant Types, and their relevance to the Sunset Strategy, are described below.

SUNSET

A Sunset grant is a final award to an organization, typically one of the Foundation’s Top Grantees. The organizations considered Top Grantees are those that have the “longest and strongest” relationships with the Foundation. The history with the Foundation is both deep (total dollars granted and number of grants awarded) and recent (last grant within the past 15 years). Top Grantees are not guaranteed to be awarded a Sunset grant. Consideration is dependent on the quality of the request, as well as an organization’s “readiness” for such a grant, which staff assess by examining leadership, culture, financial health, infrastructure, and a variety of other factors.

Sunset grants are meant to be transformational for the organization and/or the organization’s impact on the community. In addition, Sunset grants should be:

- Viewed as permanent “living” assets that continue well beyond the term of a grant;
- Additive to an organization’s core mission, helping to accelerate activities in new ways; and
- A base for more sustainable operations well into the future.

Highlights

In 2019, the Foundation awarded 10 Sunset grants totaling \$20,050,000. All Sunset grants fall into one of three categories: **Big Idea**, **Sunset Cluster** and **Signature**. Nine Sunset Cluster grants were awarded to Education, Human Services, Humanities and Civic organizations. No Big Idea grants were awarded. It should be noted that the Signature category, which was historically used to support capital campaigns and other similar requests, is being phased out; one final Signature grant was made in 2019.

Sunset Cluster

Allegheny Cemetery Historical Association

500,000

Toward a preservation endowment fund.

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Fiscal Year 2019

Bethlehem Haven of Pittsburgh

1,500,000 *For a Strategic Opportunity Fund and a Facility Reserve Fund.*

Eye & Ear Institute of Pittsburgh

350,000 *Toward the development of the Pittsburgh Center for Research, Education, and Technology for Endoscopic Surgery (called Pittsburgh CREATES).*

Historical Society of Western Pennsylvania

4,375,000 *Toward a general operating endowment and technology upgrades.*

Neighborhood Allies

3,500,000 *For a general operating endowment.*

Pittsburgh Cultural Trust

2,000,000 *To establish an endowment to support annual Festivals programming.*

Pittsburgh Parks Conservancy

2,500,000 *Toward the Capital Project Loan Fund and to endow PPC's community planning and engagement work.*

The Residences at Wood Street

3,000,000 *To create Operating & Replacement Reserve Funds for Wood Street Commons.*

Western Pennsylvania School for the Deaf

1,500,000 *Toward the Classroom Technology Endowment.*

Signature

Pittsburgh Botanic Garden

825,000 *Toward the new Visitors Center.*

STANDARD

Standard grants are a continuation of the Foundation's historical grantmaking program, but have taken on new forms in service of the Sunset Strategy. They are usually five- or six-figure grants, with the largest single award in 2019 totaling \$650,000. Standard grants encompass the following:

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- **Ending Well** grants to organizations that are not related to a specific Sunset grant request;
- Grants aimed at laying the groundwork for a Sunset grant (**Readiness or Concept Testing**);
- **Special Projects**, which fall outside the other types of Standard grants, but which the Foundation deems impactful for other reasons;
- **Annual** grants to a small group of grantees; and
- **Director's Discretionary Grants**, which have also taken on a more supportive role to Sunset or Ending Well trajectories for many of the Foundation's grantees.

Highlights

In 2019, the Foundation awarded 82 Standard grants totaling \$13,145,375. The largest number of grants went to Human Services agencies, followed by Civic and Humanities organizations. The Human Services category also received the largest dollar amount. Education grants made up the smallest proportion, as the Foundation continued to move away from funding large higher education capital projects that made up much of its historic grantmaking.

Concept Testing

Adelphoi, Inc.

250,000

Toward the FirstMatch predictive analytics model.

Allegheny College

375,000

To test and develop the Gateway Network.

Carlow University

500,000

To pilot The Western Pennsylvania Early Childhood Apprenticeship Hub.

Chatham University

142,500

Toward the DEAL two-part pilot initiative.

Community Foundation for the Alleghenies

500,000

Toward a pilot program in early childhood education and community development.

Community Foundation of Westmoreland County

50,000

Toward the Revitalizing Westmoreland Initiative.

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Dollar Energy Fund, Inc.
250,000 *Toward planning for a utility-scale solar generation facility.*

Fayette County Community Action Agency, Inc.
350,000 *To test a Housing Development Fund model.*

Lawrenceville Corporation
245,000 *Toward launching the City of Bridges Community Land Trust.*

Lifesteps, Inc.
125,000 *To test the feasibility of establishing an Enhancing Lives through Technological Solutions Fund.*

North Hills Community Outreach
75,000 *Toward development and volunteer capacity.*

Pace School
180,000 *Toward market analysis for program expansion.*

Pittsburgh Community Broadcasting Corporation
150,000 *Toward a matching funds endowment exploration project.*

Robert Morris University
50,000 *To develop an Income Share Agreement program.*

Western Pennsylvania Conservancy
75,000 *To help explore the long-term demand and feasibility for a Farm Preservation program.*

Westmoreland Museum of American Art
125,000 *To test an Innovation Fund.*

Readiness

Carnegie Library of Pittsburgh
150,000 *To conduct community research and implement prototype projects around digital engagement.*

Children's Home of Pittsburgh & Lemieux Family Center
200,000 *Toward strategic and facility planning.*

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City of Asylum Pittsburgh

100,000 *Toward capitalization plan implementation.*

City Theatre Company, Inc.

250,000 *Toward Capacity Building & Change Capital.*

East Liberty Presbyterian Church

65,000 *Toward strategic planning for the Hope Academy of Music and the Arts.*

Focus On Renewal Sto-Rox Neighborhood Corporation

250,000 *To strategically enhance information technology systems and infrastructure.*

Greater Pittsburgh Community Food Bank

650,000 *Toward technology capacity and upgrades.*

Hosanna House, Inc.

150,000 *Toward information technology upgrades.*

Literacy Pittsburgh

180,000 *To purchase and implement an integrated data and information system, and complete a strategic business plan.*

Pittsburgh Opera, Inc.

90,000 *To restructure the Development Department.*

Pittsburgh Public Theater Corporation

185,000 *Toward strategic planning.*

Presbyterian SeniorCare Network

355,000 *To build expertise and infrastructure needed to develop the Aging Services Accelerator.*

Program to Aid Citizen Enterprise (PACE)

220,000 *To support a series of studies and staff capacity needed to develop a comprehensive capacity-building model.*

Squirrel Hill Health Center

150,000 *Toward feasibility studies that will identify the best opportunities for future growth.*

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Fiscal Year 2019

The Pittsburgh Project
200,000 *Toward campus capital improvements, capacity building and operational support.*

Vintage, Inc.
55,000 *To assess and refine strategies for achieving a sustainable business model.*

Ending Well

AdagioHEALTH
125,000 *To develop a sustainable business model for health and wellness prevention services in rural healthcare sites in Western Pennsylvania.*

Allegheny County Parks Foundation
100,000 *To increase staff capacity in development, project management, and social media.*

Allegheny Land Trust
100,000 *To pilot the use of TDRs as a transformational tool for the renewal of blighted areas.*

Attack Theatre, Inc.
125,000 *Toward short- and long-term facility planning.*

August Wilson African American Cultural Center
105,000 *Toward the Individual Membership & Major Gifts Expansion Initiative.*

Communities In Schools of Pittsburgh-Allegheny County
125,000 *To develop and pilot the School Assessment Tool.*

Community Kitchen Pittsburgh
125,000 *To support the addition of an Operations Director and Administrative Manager.*

Creative Nonfiction Foundation
75,000 *Toward the redesign of the organization's website and flagship magazine.*

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Friends of the Riverfront, Inc.

90,000 *Toward a shared Marketing and Development professional with Allegheny Cleanways.*

Headwaters Charitable Trust

84,000 *Toward final designs and engineering studies for safety improvements along the Knox & Kane Rail Trail.*

Manchester Citizens Corporation

150,000 *To hire an Assistant Director and expand the organization's capacity to achieve its real estate development goals.*

Pennsylvania Environmental Council, Inc.

125,000 *To initiate the Towns & Trails Program in at least eight small trail town communities along the Allegheny River basin.*

POISE Foundation

150,000 *To support development, marketing and technology infrastructure and capacity.*

Presbyterian SeniorCare Network

150,000 *Toward the Dementia Care Management pilot program.*

River City Brass Band

500,000 *Toward Capitalization Plan Implementation.*

Rodef Shalom Congregation

155,000 *To support the Biblical Botanical Garden Endowment Fund.*

Society to Preserve the Millvale Murals of Maxo Vanka

50,000 *Toward awareness-building, interpretive planning, and program development capacity.*

The Bradley Center

500,000 *Toward the School's expansion.*

The Neighborhood Academy

250,000 *Toward implementation of strategic priorities.*

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The Watson Institute
150,000 *Toward business model research, design and implementation of the Training and Consultation program.*

Westmoreland Community Action
330,000 *Toward the purchase of demolition equipment for American Architectural Salvage.*

World Affairs Council of Pittsburgh
175,000 *Toward a visibility campaign.*

Annual

Historical Society of Western Pennsylvania
350,000 *To support operations, new exhibits, and programming.*

Hosanna House, Inc.
325,000 *To support general operations.*

Mon Valley Initiative
250,000 *For planning and operating support; a Community Investment Fund revolving loan pool; and a capitalization plan.*

Neighborhood Allies
400,000 *Toward operating support for 2020.*

University of Pittsburgh, Institute of Politics
50,000 *Toward program support in 2019.*

Special Project

East End Cooperative Ministry
300,000 *For operating support.*

Economic Development South
60,000 *To establish the Community Marketing Collective.*

Global Links
76,500 *To improve the use of technology and support fundraising.*

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Fiscal Year 2019

Jewish Federation of Greater Pittsburgh

150,000 *Toward the Our Victims of Terror Fund.*

SLB Radio Productions, Inc.

325,000 *Toward technology components of Museum Lab.*

Three Rivers Young Peoples Orchestras

75,000 *Toward the UniSound program.*

Director's Discretionary Grants

The Foundation made 17 grants of \$25,000 or less, totaling \$352,375.

ALMONO REDEPLOYMENT

The Foundation made one (1) grant redeploying repaid PRI funds.

Pittsburgh Parks Conservancy

934,725 *Toward Mill 19 Plaza Enhancements.*

Historical Grant Totals

<u>Year and Total</u>	<u>Number of Grants</u>
1980 – \$1,909,500	101
1981 – \$2,385,000	94
1982 – \$3,308,500	99
1983 – \$3,874,500	89
1984 – \$3,857,300	49
1985 – \$12,149,310	56
1986 – \$13,144,265	45
1987 – \$11,234,258	30
1988 – \$10,158,285	39
1989 – \$13,364,994	37
1990 – \$15,289,998	39
1991 – \$13,358,171	39
1992 – \$11,613,467	43
1993 – \$13,616,950	72
1994 – \$13,555,400	111
1995 – \$13,825,050	99
1996 – \$16,341,104	131
1997 – \$21,480,575	142
1998 – \$28,087,930	160
1999 – \$29,331,700	161
2000 – \$28,391,003	143
2001 – \$27,858,921	185
2002 – \$25,375,494	188
2003 – \$23,612,390	197
2004 – \$25,597,625	201
2005 – \$27,309,422	194
2006 – \$26,792,859	213

Historical Grant Totals

<u>Year and Total</u>	<u>Number of Grants</u>
2007 – \$28,941,100	170
2008 – \$27,049,256	183
2009 – \$18,251,789	165
2010 – \$19,630,510	172
2011 – \$21,165,500	174
2012 – \$102,412,861	147
2013 – \$25,986,115	134
2014 – \$27,018,000	140
2015 – \$28,204,500	130
2016 – \$27,499,927	132
2017 – \$28,981,770	122
2018 – \$30,999,475	115
2019 – \$34,130,100	93