

McCUNE FOUNDATION

2018 ANNUAL REPORT

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CHAIRMAN'S STATEMENT - 2018

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 2018 the Distribution Committee approved 115 new and conditional grants totaling \$30,999,475. As you will see in the Annual Report, the majority of our grants are organized around the Sunset Strategy. Sixteen grants, totaling \$15,575,000, were specifically within the Sunset category. Of the ninety-seven Standard Grants approved, totaling \$13,924,475, fifty-seven of them focused on the Sunset. They were grants for either Concept Testing, Readiness or Ending Well and totaled \$8,521,100. The balance of our grantmaking was for Special Projects, Director's Discretionary Grants and two Program Related Investment redeploys. The spending rate this year was 9.33% of invested assets.

Planning

One of the principal tools the Distribution Committee used to formulate and monitor the Sunset Strategy is the Constant Stream Payout Scenario. In his will Charles McCune required that a minimum distribution be made at a ratio of $1/N$, with N being the number of years remaining until the 2029 termination. This created an ever-increasing grants budget with it doubling in the last fifteen years. Instead, the Distribution Committee and Staff created the Constant Stream Payout Scenario that, while exceeding the $1/N$ requirement, provides a steady distribution rate. This allows the Foundation's staffing and operational costs to be kept stable. The Scenario incorporated the grants budget, trustee and administrative fees and an asset return rate of 5%. The goal is to achieve a \$0 balance in October 2029.

Comparing the 2012 Constant Stream Payout Scenario with actual figures at the end of 2018 reveals the variation between our plans and actual events.

	<u>Payout Scenario</u>	<u>Actual</u>
2012 Assets	\$336,786,523	Same
2018 Assets	\$290,282,003	\$332,165,512
2018 Grants Budget	\$26,000,000	\$30,999,475
2012-18 Grant Total	\$156,000,000	\$168,528,807

So, after six years of accelerating distributions the asset value is only \$4 million less than it was in 2012, when we had planned it would be \$46 million less.

The obvious benefit of the unanticipated rise in the asset value is that it affords us significantly more funds to distribute. One of the drawbacks of the Constant Stream was that it reduced the total amount to be distributed because assets were being depleted earlier in the process. This has now been offset by the asset appreciation.

The 2016 Chairman's Statement gives a history of our Sunset Planning. It is a story of evolution as plans are implemented, tested and evaluated. Each chapter is accompanied by more demands on our Staff. The asset appreciation is another chapter. It is clear that, in order to meet our final goal, we must identify more, or larger, grant opportunities. One step Staff took this year is to send Requests For Information to our partners in Higher Education and Human Services. These requests accelerated the process of what would normally be one-on-one discussions. They also allowed Staff to get an overview of what is happening, and what is succeeding, in these fields. As a result, Staff is working on projects to be completed in the next three years that would have taken four to six years just to identify.

It is important to state that, as we look for more, and larger, grant opportunities, we remain committed to the Sunset Strategy's Guiding Principles. We are committed to working with our top one hundred and thirty grant recipients. We are committed to leave it better than we found it, finish well the things we start, and will not start new things we cannot finish well. Finally, we are committed to strengthening the non-profit community so that it continues to serve the people of Southwestern Pennsylvania long after the Foundation is gone.

Farewell

John Edwards stepped off the Distribution Committee this year to free up time for a leadership position with another organization. He joined the Committee in 2001 and was immediately immersed in our Sunset Planning. Besides performing the regular duties of a Committee Member, John played a large role in the search for our new Executive Director and in the restructuring of the Distribution Committee. He has shown a consistent interest, curiosity and commitment to our work. Most of all, John was consistently kind.

There is another aspect to John's leaving that needs mentioning. The members of the early Distribution Committees were people that had either spent their whole lives around Charles McCune or had worked with him on a daily basis. Membership changed over time to when, in 1999, the members knew him as the patriarch of their family, which now spanned three generations. John's generation knew Charles into their young adulthood but they know the stories better. Purposeful, simple, and direct is a lesson we are fortunate to have learned firsthand. The Committee often puzzles over why Charles wanted the Foundation terminated in 2029. John's leaving the Committee may give us a clue.

Michael M. Edwards
Chairman

DISTRIBUTION COMMITTEE

Michael M. Edwards
Chairman

Adam B. Edwards

Nathan D. Edwards

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 2018

2018 GRANTS PROGRAM

In 2018, the McCune Foundation awarded 115 new and conditional grants totaling \$30,999,475. 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 10 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 2018, the Foundation awarded 16 Sunset grants totaling \$15,575,000. These grants fell into one of three categories: **Big Idea**, **Sunset Cluster** and **Signature**. One Big Idea grant was awarded in the Human Services area, while Sunset grants were awarded to Education, Human Services, Humanities, and Civic organizations. It should be noted that the Signature category, which was historically used to support capital campaigns and other similar requests, is being phased out; in 2019, one final Signature grant will likely be awarded.

Big Idea

ACTION-Housing Inc.

2,000,000

To establish an Equity Fund and a Working Capital Fund.

Sunset Cluster

Andrew Carnegie Free Library & Music Hall

1,000,000

Toward a facility endowment.

McCUNE FOUNDATION GRANTS

Fiscal Year 2018

Children's Museum of Pittsburgh

305,000 *To establish the Growth Capital Fund.*

Community Human Services Corporation

320,000 *Toward the purchase of its new headquarters and a building maintenance endowment.*

Ellis School

2,000,000 *Toward an Access & Affordability Endowment.*

Eye & Ear Institute of Pittsburgh

650,000 *Toward the development of the Pittsburgh Center for Research, Education, and Technology for Endoscopic Surgery (Pittsburgh CREATES).*

Human Services Center Corporation

1,000,000 *Toward an endowment grant to be split equally toward facilities and Community Outreach Services.*

Kiski School

750,000 *Toward a Financial Aid Endowment.*

National Aviary in Pittsburgh, Inc.

1,500,000 *Toward the Audience Development Fund.*

Pittsburgh Cultural Trust

2,500,000 *Toward an endowment to support the annual Festivals programming.*

Society for Contemporary Craft

500,000 *Toward implementation of the capitalization plan.*

Signature

Carnegie Science Center

750,000 *In support of the SPARK! Campaign.*

Magee-Womens Research Institute & Foundation

500,000 *Toward the 9-90 Research component of the \$100M campaign.*

Pittsburgh Botanic Garden

550,000 *Toward the new Visitors Center.*

Point Park University

McCUNE FOUNDATION GRANTS

Fiscal Year 2018

750,000 *To construct a new Playhouse Theater complex.*

United Way of Southwestern Pennsylvania

500,000 *Toward the endowed United Way Forward Fund.*

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 2018 totaling \$525,000. Standard grants encompass the following types of grants:

- **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 2018, the Foundation awarded 97 Standard grants totaling \$13,924,475. The largest number of grants went to Civic agencies, followed closely by Human Services and Humanities organizations. The Civic category also received the largest dollar amount, followed by Human Services. 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

Chatham University

142,500 *Toward a two-part pilot initiative called DEAL.*

Community Foundation of Westmoreland County

50,000 *Toward the Revitalizing Westmoreland Initiative.*

Idea Foundry

50,000 *Toward a feasibility study and organizational assessment.*

North Hills Community Outreach

75,000 *Toward development and volunteer capacity.*

McCUNE FOUNDATION GRANTS

Fiscal Year 2018

Pittsburgh Cultural Trust
100,000 *To support the 2018 Pittsburgh International Festival of Firsts.*

Pittsburgh Glass Center, Inc.
250,000 *For architectural and engineering costs associated with the acquisition of a new facility.*

Pittsburgh Opera, Inc.
300,000 *To support the production of three new American Operas.*

Western Pennsylvania Conservancy
75,000 *To explore the feasibility for a Farm Preservation program.*

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

Readiness

Allegheny Trail Alliance
150,000 *Toward capacity building and technology projects.*

Children's Institute of Pittsburgh
100,000 *Toward a comprehensive strategic plan.*

Christian Associates of Southwest Pennsylvania
43,350 *Toward a new database and related staff capacity.*

City of Asylum Pittsburgh
125,000 *Toward capitalization plan implementation.*

City Theatre Company, Inc.
250,000 *Toward a Capacity Building & Change Capital project.*

Community Foundation for the Alleghenies
35,000 *Toward the Vision 2025 project to build resiliency in Johnstown.*

Focus On Renewal Sto-Rox Neighborhood Corporation
100,000 *Toward the Food Pantry Relocation Project.*

Fund for Advancement of Minorities through Education
150,000 *To strengthen organizational infrastructure.*

McCUNE FOUNDATION GRANTS

Fiscal Year 2018

Literacy Pittsburgh 55,000	<i>For an executive search process and rebranding.</i>
Hosanna House, Inc. 200,000	<i>Toward information technology upgrades.</i>
Mon Valley Initiative 525,000	<i>For the Community Investment Fund; and for capitalization planning.</i>
Pittsburgh Ballet Theatre 160,000	<i>Toward technology upgrades, strategy development and a human resources assessment.</i>
Pittsburgh Opera, Inc. 125,000	<i>For planning and to hire a new Development Director.</i>
Pittsburgh Symphony Orchestra 250,000	<i>Toward Digital Strategy Implementation.</i>
Residences At Wood Street 185,000	<i>Toward renovation improvements for the commercial lobby.</i>
The Pittsburgh Project 300,000	<i>Toward campus capital improvements, capacity building and operational support.</i>
Ending Well	
AdagioHEALTH 125,000	<i>To develop a sustainable business model for health and wellness prevention services in rural healthcare sites in Western Pennsylvania.</i>
Attack Theatre, Inc. 75,000	<i>Toward short- and long-term facility planning.</i>
Bach Choir of Pittsburgh 20,000	<i>Toward an audience engagement capacity building initiative.</i>
Big Brothers Big Sisters of Greater Pittsburgh 50,000	<i>To create and pilot a small business fundraising program.</i>

McCUNE FOUNDATION GRANTS

Fiscal Year 2018

Bricolage Production Company	90,000	<i>Toward implementing the capitalization plan.</i>
Chatham Baroque	85,000	<i>Toward a merger with Renaissance & Baroque.</i>
Community Kitchen Pittsburgh	125,000	<i>To build staff capacity.</i>
Family House, Inc.	125,000	<i>Toward the Seamless Guest Experience pilot.</i>
Family Pathways	250,000	<i>To expand the Monarch Training Institute.</i>
Hill District Federal Credit Union	62,000	<i>Toward the redevelopment of the Credit Union building.</i>
Hilltop Alliance	250,000	<i>Toward the Allentown Community Commercial Property Acquisition Strategy.</i>
Holocaust Center of Pittsburgh	105,000	<i>To plan for the relocation of the Holocaust Center.</i>
Housing Alliance of Pennsylvania	100,000	<i>To explore strategies to spur investment in affordable housing to improve health outcomes and reduce costs.</i>
Lawrenceville United	25,000	<i>Toward the PEP Rally program.</i>
Manchester Citizens Corporation	150,000	<i>Toward core real estate development activities in Manchester.</i>
Manchester Citizens Corporation	150,000	<i>To hire an Assistant Director and build organizational capacity.</i>
NeighborWorks Western Pennsylvania	150,000	<i>Toward participation in the Sustainable Business Initiative.</i>
Partners For Quality, Inc.		

McCUNE FOUNDATION GRANTS

Fiscal Year 2018

300,000	<i>Toward technology upgrades.</i>
Pennsylvania Environmental Council, Inc.	
125,000	<i>To initiate the Towns & Trails Program.</i>
Pittsburgh Civic Light Opera	
250,000	<i>Toward the Next Generation Campaign.</i>
Pittsburgh Community Broadcasting Corporation	
80,000	<i>To support challenge grants for individual giving.</i>
POISE Foundation	
150,000	<i>To support development, marketing and technology infrastructure and capacity.</i>
Presbyterian SeniorCare Network	
150,000	<i>Toward the Dementia Care Management pilot program.</i>
Rebuilding Together Pittsburgh	
165,000	<i>Toward the Larimer Homeowner Equity Initiative and technology upgrades.</i>
Squonk Opera Inc.	
200,000	<i>To establish an Opportunity Fund.</i>
St. Edmund's Academy	
125,000	<i>To support an endowed, need-based scholarship fund for students.</i>
Steeple Project	
178,250	<i>Toward the renovation of The Grand Halle in Johnstown.</i>
University of Pittsburgh, Graduate School of Public and International Affairs	
15,000	<i>For continued support of the Congress of Neighboring Communities (CONNECT).</i>
Venture Outdoors, Inc.	
75,000	<i>To implement a business plan for Kayak Pittsburgh and upgrade technologies.</i>
Wesley Family Services	
250,000	<i>To support the merger of Family Services of Western Pennsylvania and Wesley Spectrum Services.</i>

McCUNE FOUNDATION GRANTS

Fiscal Year 2018

Wilksburg Community Development Corporation
350,000 *To support the buildout of the Lohr Building and predevelopment activities in Wilksburg's business district.*

Women's Center and Shelter of Greater Pittsburgh
250,000 *To renovate the existing building and upgrade systems.*

Annual

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

Hosanna House, Inc.
325,000 *For operating support.*

Mon Valley Initiative
250,000 *For operating support.*

Neighborhood Allies
425,000 *For operating support.*

University of Pittsburgh, Institute of Politics
50,000 *For programming.*

Special Project

Allegheny County Library Association
50,000 *To increase capacity to provide accounting management services to member libraries.*

Economic Development South
90,000 *To establish the Community Marketing Collective.*

Imani Christian Academy
600,000 *To support operations and planning.*

Life'sWork of Western Pennsylvania
150,000 *Toward operational support and capacity building to enhance revenue streams.*

Manchester Youth Development Center, Inc.
250,000 *Toward general operations and consulting support.*

National Center for Juvenile Justice

McCUNE FOUNDATION GRANTS

Fiscal Year 2018

100,000 *To build data collection and analysis capacity at the Shuman Juvenile Detention Center.*

National Council of Jewish Women

25,000 *A challenge grant to increase individual giving.*

Pittsburgh Ballet Theatre

150,000 *To continue school expansion and revenue growth.*

Pittsburgh Botanic Garden

500,000 *Toward the new Visitors Center.*

Pittsburgh Filmmakers/Pittsburgh Center for the Arts

300,000 *Toward general operating support.*

Pittsburgh Gateways Corporation

300,000 *To enable high school students to explore career options by participating in the process of the development of the Energy Innovation Center.*

Pittsburgh Parks Conservancy

275,000 *To support the development of Liberty Green in Larimer.*

Program to Aid Citizen Enterprise

150,000 *Toward the Intensive Services Program.*

SLB Radio Productions, Inc.

360,000 *Toward technology components of Museum Lab.*

The Denis Theatre Foundation

145,000 *Toward the renovation of The Denis Theatre.*

Three Rivers Young Peoples Orchestras

100,000 *Toward the Youth Music Pittsburgh program.*

Trade Institute of Pittsburgh

50,000 *Toward software improvements and website development.*

Director's Discretionary Grants

The Foundation made 18 grants of \$25,000 or less, totaling \$408,375.

McCune Foundation Grants

Fiscal Year 2018

PRI REDEPLOYMENT

The Foundation made two (2) grants redeploying repaid PRI funds.

RIDC Fund for Economic Growth

875,000 *Toward the development of the Mill 19 Building.*

Neighborhood Allies

625,000 *For the Affordable Housing Preservation Impact Fund.*

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
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

Historical Grant Totals

<u>Year and Total</u>	<u>Number of Grants</u>
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