

## **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