

# McCune Foundation

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## 2022 ANNUAL REPORT



# **McCUNE FOUNDATION**

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## **2022 ANNUAL REPORT**

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## **CHAIRMAN'S STATEMENT – 2022**

*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 major 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. Now, our Sunset Strategy deals with Sunset Grants, Concept Testing, Readiness and Ending Well with each being described in the Annual Report.

In 2022, the Distribution Committee disbursed 90 new and conditional grants totaling \$51,288,575. The 2022 Annual Report lists these grants. Our average grant size this year is \$569,873. Exactly 80% of all our grants made this year were dedicated to the Sunset Strategy but, more importantly, almost 95% of all dollars granted were dedicated to the Sunset. The spending rate this year was 17.5% of invested assets at the beginning of the year. Each of these numbers are up significantly from the year before. This is due to the Big Idea grants approved this year and the spending rate that is necessary to meet our termination in seven years.

### **Back in the Business of Big Ideas**

When chronicling the Distribution Committee's early decisions about how to implement our spend-down, early versions of these statements talk a good deal about Big Ideas. This was going to be our sole method of making large, impactful grants. Big Idea grants are designed to be transformative to the organization, accelerative of evidence-based practices and be most impactful outside the walls of the organization. Our first three Big Idea grants were made in 2012 and 2013 to Carnegie Mellon, Innovation Works, and

Bridgeway Capital. We took several years off to evaluate the concept and learned that other strategies, like Ending Well and Sunset grants, would have to be developed for us to reach beyond a select few organizations. Since 2013 we have only made one Big Idea grant – to ACTION-Housing in 2017.

In 2022 we re-entered the business of Big Ideas. At its May meeting, the Distribution Committee approved a grant to Dollar Energy to build a Solar Generation Farm that is projected to produce over \$250 million over the next 30 years for their Hardship Program. In September, the Committee approved grants to Carlow University to endow their Early Childhood Apprenticeship Hub and to the Community Foundation for the Alleghenies for Early Childhood Education and Community Development endowments. All three grants were the direct result of Concept Testing grants that demonstrated the efficacy of the organizations' planning.

The cornerstone of most successful Big Idea grants is the Concept Testing grant. These were formalized around 2017, and we are finally seeing our pipeline of future grants filling up with the Big Idea grants that result from this work. It is likely that the next seven years will continue this year's trend of multiple Big Idea grants.

#### Time to Pay the Piper

Since 2018 these Statements have repeated the comment that the rising markets have made spending down our asset base very difficult as the Foundation moves toward its termination. In fact, from 2013 thru 2021, over \$280 million was distributed without seeing any significant reduction in our asset base. This steady replenishment by the markets forced us to move off a Constant Stream approach to setting our grants budget and to create a gentle upward curve until we slope down to 2029. During all these years, we would smile when seeing the asset reports when our real job was to drive the number down.

The smiles are gone now, and it is time to pay the piper.

The invested assets for the McCune Foundation started the year at \$302 million and finished the year at \$216 million. Our unprecedented level of grant distribution accounts for sixty percent of this loss, but the rest were the markets taking back what they had given. In 2017 a plan was developed with the Trustee where the stock portion of our portfolio would be reduced by 5% each year. This would allow us to better forecast distributions and continue the multi-year work needed to create optimal grants. The decision to reduce our stock exposure was a good one, but it was not enough to protect us fully.

Everyone knows the mix of conditions that have gotten us here. Unfortunately, for most people, these conditions have only been experienced in a textbook. Volatility is so large as this is being written that it is impossible to predict where we will be when this piece is posted – let alone where we will be in the next six years.

During the next few meetings, the Distribution Committee will be dealing with the same issues as most other foundations. What is the right amount of risk for our portfolio? Do we reduce our grants budget to protect our assets? Do we increase our grants budget to support our non-profit partners? The answers to these questions will be different for each foundation. Many of the answers will be based on whether a short time horizon or a long one is used. The only answer for the circular questions is to stop going in circles and pick an exit point. Next year's statement should indicate where this foundation ended up.

Since the McCune Foundation is sunsetting, we also must deal with other questions. Can our partners continue the strategic planning that is so necessary for our work, or will day-to-day decisions overwhelm them? Most importantly, what is the optimal way to grant out our remaining assets in a way that is true to our mission and guidelines? The clarity and focus that sunsetting brings is only becoming more acute as our focal length decreases.

These economic conditions are forcing a realization on us that has been a long time coming. Going out of business in 2029 is no longer theoretical. Even having only seven years left has not brought this realization home in quite the same way as the reduction in assets has. Laurel and her team have been working hard for a long time to set us on the right path toward termination. The Distribution Committee and Trustee have been making decisions for almost twenty years to prepare us. Our grants are now carefully designed to have our partners stronger in anticipation of our absence. Our termination is imminent and inevitable. Our resources are limited. We will not be able to support all the deserving non-profits in Southwestern Pennsylvania. This realization could be crushing but we will not let it be. For the next seven years we will continue to work with our partners to move them forward and make them stronger.

### Farewell

Volunteers are so necessary for all non-profits to work properly. Yet we offer them little other than the opportunity to participate in the fulfillment of our missions. In our governance, people step forward to take on huge responsibilities even when they are heavily committed elsewhere. It is amazing that we can fill these positions at all.

Dawne Hickton is just such a volunteer. Six years ago, Dawne quickly said yes when she was asked to join our Distribution Committee even though she had had almost no contact with us or our work. Dawne was then stalwart in preparing for and attending our meetings and contributing her expertise when applicable. Dawne even volunteered for service on several ad hoc committees during her two terms on the committee. We could not have asked for any more from someone with so many demands on her time from her family and work. Dawne will be greatly missed.

Michael M Edwards  
Chair – Distribution Committee

## **DISTRIBUTION COMMITTEE**

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*Michael M. Edwards*  
*Chairman*

*James V. Denova*

*Adam B. Edwards*

*John M. Edwards*

*Dawne S. Hickton*

*Kristen S. Kurland*

*Sarah McCune Losinger*

## **STAFF**

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*Laurel S. Randi*  
*Executive Director*

*Stephanie K. McCarthy*  
*Program Associate*

*Michele A. Krugh*  
*Research & Communications Associate*

*Valerie L. Fahrny*  
*Grants Manager*

*Rachel E. Cypher*  
*Office Administrator*

# McCUNE FOUNDATION GRANTS

*Fiscal Year 2022*

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## 2022 GRANTS PROGRAM

In 2022, the McCune Foundation awarded 90 new and conditional grants totaling \$51,288,575. 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 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 2022, the Foundation awarded 7 Sunset grants totaling \$37,175,000. All Sunset grants fall into one of two categories: **Big Idea** and **Sunset Cluster**. Sunset Cluster grants were awarded to Humanities and Civic organizations. Three Big Idea grants were awarded to organizations in the Education, Civic, and Human Services areas.

#### Big Idea

Carlow University

12,000,000

*Toward The Western Pennsylvania Early Childhood Apprenticeship Hub, including \$11,000,000 to endow the Hub, and \$1,000,000 toward 2022-2024 expenses to renovate the St. Agnes School, personnel costs as the endowment grows, student scholarships, and indirect costs.*

# McCUNE FOUNDATION GRANTS

*Fiscal Year 2022*

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Community Foundation for the Alleghenies

14,500,000

*To endow grantmaking in community and economic development (\$7,000,000) and early childhood education (\$7,000,000); and (\$500,000) as bridge funding to continue grantmaking while the endowments appreciate for a year.*

Dollar Energy Fund, Inc.

3,000,000

*Toward a Utility-Scale Solar Generation Facility that will generate funds, to be matched by utility companies, to support the hardship program over the next 30 years.*

## Sunset Cluster

Hill Renaissance Development Corporation

500,000

*To upgrade and expand the Hill District Federal Credit Union's space and renovate two vacant upper floors into four affordable apartments.*

Pittsburgh Ballet Theatre

3,500,000

*Toward a new production of the Nutcracker (\$3,000,000) and the establishment of a Nutcracker Reserve Fund (\$500,000) that will grow over the next 15 years.*

University of Pittsburgh, Institute of Politics

1,000,000

*Toward the Institute of Politics operating endowment.*

Westmoreland Museum of American Art

2,675,000

*Toward an Audience Development Endowment.*

## 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 awards in 2022 each totaling \$750,000. Standard grants encompass the following:

- **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**);



# McCUNE FOUNDATION GRANTS

*Fiscal Year 2022*

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- **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;
- **Director's Discretionary Grants**, which have also taken on a more supportive role to Sunset trajectories for many of the Foundation's grantees; and
- **Stock Transfer Grants**, which are intended to address any losses due to same-day market events that grantees may experience as the result of a grant being made via in-kind stock transfer.

## Highlights

In 2022, the Foundation awarded 81 Standard grants totaling \$14,113,575. The Human Services and Civic areas were tied for the program areas with the largest number of grants, with the Human Services category receiving the largest dollar amount.

## Concept Testing

Allegheny Health Network

600,000

*To establish a life sciences accelerator to launch high-growth life science companies in the region.*

Allegheny Land Trust

165,000

*Toward Expanded Urban Land Conservation Capacity, including a pilot revolving fund and additional staff.*

Carlow University

210,000

*Toward the third year of the Western Pennsylvania Early Childhood Apprenticeship Hub.*

Greater Pittsburgh Community Food Bank

750,000

*Toward community-driven solutions to increase food access.*

La Roche University

165,000

*Toward the development of the Lifelong Learning Center.*

POISE Foundation

25,000

*To test a Hill District Professional Development Fund.*

# McCUNE FOUNDATION GRANTS

*Fiscal Year 2022*

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Presbyterian SeniorCare Network

750,000

*Toward the launch of the Care Transformation Unit.*

Riverlife

250,000

*Toward a strategy to complete and enhance the downtown riverfront trail loop.*

Robert Morris University

170,000

*To pilot an Income Share Agreement Program.*

Seton Hill University

315,000

*Toward the Center for Success.*

Women's Center and Shelter of Greater Pittsburgh

250,000

*To test a Risk & Opportunity Fund and build administrative capacity.*

## Readiness

Adelphoi, Inc.

260,000

*Toward the Adelphoi Enterprise Systems Integration project.*

Center for Hearing & Deaf Services, Inc.

300,000

*Toward achieving long-term increased financial stability.*

Frick Art & Historical Center

250,000

*Toward interpretive planning for the Frick campus, particularly for the Clayton.*

Fund for Advancement of Minorities through Education (FAME)

45,000

*Toward strategy development, financial management capacity and communications enhancement.*

Hosanna House, Inc.

115,000

*Toward change capital to build contributed revenue.*

Imani Christian Academy

110,000

*Toward fund development capacity building.*

Lawrenceville Corporation

50,000

*Toward an organizational sustainability plan.*

# McCUNE FOUNDATION GRANTS

*Fiscal Year 2022*

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Life'sWork of Western Pennsylvania

350,000

*Toward a business model transformation.*

Literacy Pittsburgh

125,000

*Toward human resources infrastructure investments.*

Mon Valley Initiative

70,000

*For capitalization planning, organizational assessment, and staff development supports.*

Pittsburgh Festival Opera

100,000

*Toward board development and recovery capital.*

Pittsburgh Glass Center, Inc.

100,000

*Toward marketing, communications & fundraising capacity.*

Pittsburgh Opera, Inc.

305,000

*Toward development and communications capacity that will lead to a stronger business model.*

Primary Care Health Services, Inc.

300,000

*To increase working capital reserves levels to support financial health goals.*

The Mattress Factory, Ltd.

210,000

*Toward contributed revenue growth and technology improvements.*

The Neighborhood Academy

125,000

*Toward financial stability & strategic partnership exploration.*

Touchstone Center for Crafts

310,000

*Toward business model enhancements.*

YWCA of Greater Pittsburgh

75,000

*Toward community engagement capacity building.*

## Ending Well

Allegheny RiverTrail Park

200,000

*Toward a Park Maintenance Endowment.*

# McCUNE FOUNDATION GRANTS

*Fiscal Year 2022*

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Amachi Pittsburgh, Inc.  
95,000      *Toward fundraising and communications infrastructure.*

Anchorpoint Counseling Ministry, Inc.  
33,000      *Toward incentives to expand and strengthen the organization's individual donor base.*

August Wilson African American Cultural Center  
100,000      *Toward the Individual Membership & Major Gifts Expansion Initiative.*

Autumn House Press  
15,000      *Toward the E-book and Audiobook Development Project.*

Big Brothers Big Sisters of Greater Pittsburgh  
230,000      *Toward strategic planning and technology infrastructure improvements.*

Braddock Carnegie Library Association  
500,000      *Toward Music Hall renovations.*

Chamber Music Pittsburgh  
85,000      *Toward business planning & fund development capacity.*

City Mission - Living Stones Inc.  
185,000      *Toward facility repairs and improvements.*

Hill Dance Academy Theatre  
75,000      *Toward capacity building and business planning.*

Mendelssohn Choir of Pittsburgh  
55,000      *Toward phase two of a capitalization plan.*

NeighborWorks Western Pennsylvania  
125,000      *Toward the launch of the Western Pennsylvania arm of the Pennsylvania Home Lending Collaborative.*

New Hazlett Center for the Performing Arts  
70,000      *Toward building capacity in fund development.*

# McCUNE FOUNDATION GRANTS

## *Fiscal Year 2022*

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Pennsylvania Association for Sustainable Agriculture (PASA)	90,000	<i>To transition to a contributor-driven model.</i>
Pennsylvania Organization for Women in Early Recovery (POWER)	470,000	<i>For the long-term sustainability of the POWER Campus.</i>
Pennsylvania Resources Council, Inc.	125,000	<i>Toward support for communications and fundraising strategies.</i>
Pittsburgh Botanic Garden	225,000	<i>Toward expanding market awareness.</i>
Pittsburgh Youth Chorus	30,000	<i>To transition to a sliding-scale tuition model.</i>
Sustainable Pittsburgh	75,000	<i>Toward support for a Development Director.</i>
The Pittsburgh Camerata	55,000	<i>Toward establishing joint administrative resources serving Pittsburgh Camerata and the Pittsburgh Girls Choir.</i>
Three Rivers Young Peoples Orchestras	150,000	<i>To restructure the business model through building marketing and development capacity.</i>

## Annual

Hosanna House, Inc.	325,000	<i>To support general operations.</i>
Mon Valley Initiative	250,000	<i>For operating support.</i>
University of Pittsburgh, Institute of Politics	50,000	<i>As one final year of program support in 2022.</i>

## Special Project

ACTION-Housing Inc.	162,500	<i>Toward Second Avenue Commons operational start-up costs.</i>
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# McCUNE FOUNDATION GRANTS

*Fiscal Year 2022*

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Community Foundation for the Alleghenies

325,000      *Toward the capitalization cohort pilot.*

Community Foundation for the Alleghenies

350,000      *Toward continued capitalization planning and training.*

Greater Pittsburgh Arts Council

150,000      *To help the Office of Public Art become a free-standing organization.*

Jewish Federation of Greater Pittsburgh

150,000      *Toward The Eradicate Hate Global Summit 2022.*

New Sun Rising

76,000      *Toward the continuation of the Investment Education Series.*

POISE Foundation

340,000      *Toward the Sabbatical Program Pilot.*

Steel City Squash

250,000      *Toward the construction of a new \$8 million squash and community facility in Larimer.*

## Director's Discretionary Grants

The Foundation made 17 grants of \$50,000 or less, totaling \$448,075.

## Stock Transfer Grants

The Foundation made one grant, totaling \$39,000.

## PRI REDEPLOYMENT & REPURPOSE

The Foundation made one redeployment of \$110,000 to the Industrial Arts Workshop for its efforts in Hazelwood.

## Repurpose

The Foundation approved the conversion of a \$1,250,000 PRI to a grant to Bridgeway Capital, Inc., to create a Rainy Day Loan product for nonprofit borrowers.

## Historical Grant Totals

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<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

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<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
2020 – \$39,694,954	161
2021 – \$38,279,015	138
2022 – \$51,288,575	90