

CHAIRMAN'S STATEMENT - 2020

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. Now, our Sunset Grants deal with Big Ideas, Sunset Clusters, Concept Testing, Readiness and Ending Well with each being described in the Annual Report.

In 2020 the Distribution Committee approved 161 new and conditional grants totaling \$39,694,954. The 2020 Annual Report lists these grants. Fifty-two percent of all our grants made this year were dedicated to the Sunset Strategy but, more importantly, 73% of all dollars granted were dedicated to the Sunset. Both these numbers are down from the previous year. This is counter to our planning but a direct response to our work around COVID-19, which is detailed below. The spending rate this year was 12.58% of invested assets.

Originally one of the Distribution Committee's goals was to create a "Constant Stream" grants budget to keep our staffing requirements steady throughout the Spend Down. 2018's Chairman's Statement explained how the strong investment markets are forcing us to break from this plan and adopt a gentle parabolic curve instead of the "Constant Stream." This curve continues into 2020-21 with an anticipated Grants Budget of \$40,000,000.

COVID-19

One of our Guiding Principles as a spend-down foundation is to "Finish well the things we start." This is implemented by making grants that strengthen the capitalization of our non-profit partners. The goal is to assure that organizations can thrive after the McCune Foundation is no longer able to support them. This year's Chairman's Statement was supposed to explain how we approach this task. Then COVID-19 came to the United States and the resulting pandemic led to the shut-down restrictions. All our partners, and all the work we have done to support them, was threatened.

By March 16th, 2020, a steady stream of requests was being received by staff from our grantees seeking assistance to help alleviate the impact of the pandemic. The Foundation had experienced similar crises during the 2008 banking crisis and the 2016 state budget impasse. These experiences had prepared us well so, only two weeks later, on April 1st, the Distribution Committee held a special meeting to consider two extraordinary actions. The first was to increase our Grants Budget by \$5 million dollars – a 13% increase. The second was to create a time-limited Special Subcommittee to quickly evaluate emergency operating grants and other COVID-related requests recommended by staff. Both actions were approved by the Committee. Our goal was to enable our partners to remain viable through the crisis and to support those providing the services that our stricken community needed. At that same meeting the Committee approved the Foundation's first COVID relief grants to eight organizations. The Committee and staff were now moving at high speed.

By the time our fiscal year ended in September, the Special Subcommittee had met six times and the Distribution Committee had approved COVID grants at four meetings. Activity slowed somewhat in May so the Distribution Committee could evaluate the work done so far, adapt to the effect of the CARES Act and to understand the implications of the slow removal of the shut-down restrictions. While still providing operating support and relief service, the Foundation approved an increasing number of grants for relaunch planning and operational changes. In the end, the McCune Foundation had approved 57 grants for COVID relief totaling \$8,235,000. Over twenty percent of our efforts this year were dedicated to COVID.

The COVID grants fell into four main categories. The first provided operating dollars to Foundation grantees to help them bridge the crisis and plan for re-emergence. The YMCA, Goodwill, Hosanna House, Wesley Family Services and Carnegie Museums of Pittsburgh are several examples. The second category provided resources to assist with individuals' needs that had been increased by the pandemic - like food security, protective equipment, basic needs and support for students and small business. Examples of this were grants to Bridgeway Capital, the Greater Pittsburgh Community Food Bank, the United Way, Westminster College and Vitalant. The third category was helping organizations adapt to new ways of operating by implementing online programming, improving their technology infrastructure or reconfiguring their programming. Examples are the Pittsburgh Symphony, Presbyterian Senior Care, the YWCA of Greater Pittsburgh and City of Asylum. The final category supported unique projects related to COVID-19 and included grants to Carnegie Mellon University and the American Red Cross Pittsburgh.

At this writing there is news that an effective vaccine will be available in limited supply by the end of 2020. There is now hope that there will be an end to the pandemic but we are fully aware that the effect of it will linger with our partners for many years. Funds dedicated to COVID are already budgeted for the new year and our staff and Committee are experienced in evaluating COVID requests. We hope we are prepared but are certain that we can adapt if we are not.

Sunset Plan

As previously stated, the percentage of our work dedicated to the Sunset Strategy declined this year due to the new COVID program. However, it is important to say that our work on the Sunset Plan did not stop with the pandemic's start. In June and September the Distribution Committee approved 22 grants totaling just under \$13 million in Sunset, Concept Testing, Readiness and Ending Well grants. This is on top of the grants approved in the first half of the year.

There was a moment in May, when the COVID requests seemed overwhelming - that it felt inconceivable that we could consider Sunset requests. However, staff continued to have

conversations that showed organizations were moving forward with their planning. Three large Sunset grants to the Progress Fund, Phipps Conservatory and Pittsburgh Gateways were able to be approved at the June and September meetings since they had completed the application process and their projects were not directly affected by the pandemic. In addition, ten grants were approved to organizations that were ready to move forward with Concept Testing or Readiness projects. Examples of these are Neighborhood Allies, the Andy Warhol Museum and Hosanna House. The balance of the grants was in the Ending Well category. Examples range from Autumn House Press and Sustainable Pittsburgh to the Pittsburgh Youth Chorus and the Center for Victims.

Two points on Sunset grants need mentioning. First, we expect the effects of COVID will be felt by our partners for several years to come. Dealing with it, and recovering from it, will be an element of most of the requests we consider in the future. Second, during planning for our Sunset the question was often asked by members of the Distribution Committee if we might re-engage with an organization after a final Sunset grant was made. The answer was always “only if we needed to.” That answer has now been proven correct.

Accolades

This past year working under difficult circumstances has become normal. Yet it is imperative to acknowledge the hard work of Laurel Randi and her staff – Kate Sphar, Stephanie McCarthy, Valerie Fahrny and Rachel Benson. Just as they were required to begin working from home, they were asked to create and implement an entirely new grants program that met all our standards of due diligence. Their commitment to quality work gave the Distribution Committee the confidence it needed to move forward through the crisis.

It is also important to acknowledge the extra effort the Distribution Committee gave to their work this year. They were asked to go beyond the commitment of three meetings a year because circumstances required two special meetings. An additional acknowledgement is due to Sarah Losinger and James McDonald, who made themselves available for the weekly meetings in April and June and applied their decades of grantmaking experience to the Special Subcommittee. It all was much to ask from people who volunteer their time.

Michael M. Edwards
Chairman