

2015 CHAIRMAN'S STATEMENT

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.

The programs that result from this mission are Education, Health and Human Services, Humanities and Economic Development. In 2015 the Distribution Committee approved 130 new and conditional grants totaling \$28,204,500. This represents a 4.4% increase in giving over last year. All the grants made during our fiscal year 2014-2015 will be listed when the Annual Report is finalized in December.

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. Four years ago the Distribution Committee instituted a "Constant Stream" spending policy that equalizes the granted amounts year to year. Any variations in this amount would be due to portfolio fluctuations. While this policy reduces the total amount spent in the next 14 years, it allows us to maintain our staffing levels until 2029 and accelerate the delivery of resources to the community. The result is that this year we distributed 8.37% of our assets in grants.

At the same time that the Constant Stream was adopted, the McCune Foundation instituted a new grants program simply called "Big Ideas." These large grants are designed to be transformative and change the vector of the grantee in both direction and velocity. Also, these grants must be self-sustaining

and have impact beyond the organization - thus strengthening the larger community. To quote our Executive Director, Hank Beukema, "We're trying to transfer our DNA to others." While these grants could be seen to further the Foundation's legacy, the Foundation, as a quiet donor, prefers that they be seen as the community and region's legacy.

Starting in 2012, the McCune Foundation has made three Big Idea grants to organizations with which it has worked for at least a decade. The grants were made under "Granny's Rules," which are three simple principles that apply to all our grants as the Foundation works toward 2029.

1. Leave it better than we found it.
2. Finish well the things we start.
3. Do not start things we cannot finish well.

These rules guide us toward engaging only organizations with which we have successfully engaged in the past.

The first Big Idea grant was to Carnegie Mellon University for their Innovation Ecosystem Strategic Initiative. The second was to Innovation Works to create the Participation Fund and the third was to the Emerging Opportunity Fund at Bridgeway Capital. Each of these was based on a previous Proof of Concept grant that not only validated the idea but also demonstrated the organization's capacity to succeed. Each grant perpetuates the program it funds only if the organization conducts that program successfully, thus creating a "living endowment."

In 2014 the Foundation began a two-year hiatus from making Big Idea grants. This time was used to finish payment of the first three grants and to evaluate the program. One of the many things staff learned was that universities and healthcare systems could easily dominate the demand for Big Idea grants. However, these organizations represent only 32% of our historical grantmaking so we have to find a way to draw Big Idea grants from our Humanities and Human Services grantees.

In March of this year Staff recommended, and the Distribution Committee approved, a new grant category within the Big Ideas called "clusters." These would be smaller grants, seven figures instead of eight, to multiple organizations working in a similar space that would be bundled around a central theme. Each grant would still have to be transformative, self-sustaining and reach into a broader community. Each grant would also be processed independently of the others within the cluster so the cluster could only be well defined afterwards. Staff has already begun discussions within the downtown arts and human service organizations and we expect other clusters will be developed over time. As Big Idea grants resume in 2017, Staff will be developing potential grants within these clusters along with more traditional Big Ideas.

This year the McCune Foundation took another step in preparation for its wind down in 2029. Our portion of the ALMONO Partnership was purchased by the Richard King Mellon Foundation. Four foundations and the Regional Industrial Development Corporation (RIDC) created this Partnership in 2002 to ensure that former LTV site, 178 acres along the Monongahela River, was developed in a way that best utilized its location, created jobs and, most importantly, created opportunity for Pittsburgh. The Partnership's long view helped it survive the 2008 downturn, and has the site positioned to be developed properly, as exemplified by the new road and infrastructure work launched in the fall of 2015. This was a good time for the Foundation to simplify its obligations, and we are gratified to see that the work of the remaining partners has accelerated.

Several weeks ago, during an informal conversation, the question was posed "How will the McCune Foundation measure success." I would like to posit that success will be 80% of our Big Idea grant recipients still running the programs the Foundation supported 20 years after the Foundation's termination. The Foundation must go out of business in October 2029 but our aspiration is to 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.

In closing we must acknowledge the service of outgoing Distribution Committee member James C. Roddey. Jim is a member of our first class of Community Members and helped define the position. He has the unique talent of knowing the community, and its needs, intimately but tempering that with a commitment to the uniqueness of the organization he is serving. His contributions will always be a part of us due to his participation in our termination planning. And, oh my goodness, does he make us laugh.

Michael M. Edwards
Chairman