

2013 CHAIRMAN'S STATEMENT

The mission of the McCune Foundation is to enable communities and nonprofit institutions to improve the quality and circumstances of life for present and future generations. In meeting these challenges, the Foundation employs flexible approaches and innovative strategies that are responsive to changing needs and new opportunities. The goal is to stimulate long-lasting and sustainable progress, which contributes to community vitality and economic growth.

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. As a businessman who participated in Pittsburgh's growth to prominence, we believe that Mr. McCune would grasp, and hold tight to, the mission listed above because it matches so closely with his life's work.

During his life, Charles McCune 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 result is an economical grant evaluation process that responds favorably to organizations that demonstrate an ability to help us meet our mission.

The programs that result from this mission are Education, Health and Human Services, Humanities and Economic Development. In 2013 the Distribution Committee approved 134 new and conditional grants totaling \$25,986,115. This represents a 17% increase in giving over last year. The increase is the consequence of the strategic decisions made by the Distribution Committee relating to the sunset of the Foundation. All the grants made during our fiscal year 2012-2013 are listed later in this report.

In the establishing document Mr. McCune required that all the assets of the McCune Foundation be paid out in grants by October 16, 2029 and the Foundation cease operation on that date. Two years ago the Distribution Committee instituted a "Constant Stream" spending policy that equalizes the granted amounts year to year. While this reduces the total amount spent in the next 16 years, it allows us to maintain our staffing levels and deliver resources to

the community that are put to work immediately. The result is that this year we distributed 7.4% of our assets, without including administrative costs.

Last year, as part of the sunset process, we implemented a new program simply labeled “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 have impact beyond the organization - thus strengthening a larger community. 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.

This year’s Big Idea grant was to Innovation Works to help create a \$25 million Participation Fund to invest in 20 early stage companies in southwestern Pennsylvania. The end goal is to create 800 jobs and attract \$200 million in follow-on capital to the region. Innovation Works’ mission is *to invest capital, business expertise and other resources into high-potential companies with the greatest likelihood for regional economic impact*. The unique aspect of this grant is that, if IW is successful, the fund will become a “living endowment” that supports the organization for many, many years.

We are excited about this new grant program because its investments will allow the work of the Foundation to go on long after the 2029 termination. However, there is a downside to it that we anticipated and are now beginning to experience. For thirty years the Foundation made “standard” grants to program, facilities and endowments - often as part of capital campaigns. The size of the Big Idea grants made it clear that we would slowly work ourselves out of making these traditional grants. As we are reducing the standard grants our historical partners are becoming more ambitious now that the economy has stabilized. It means that there is great pressure on our dollars budgeted for standard grants and we will have to decline requests that would have received favorable responses in the past. This will be difficult for everyone.

In closing I want to acknowledge the service of Rob McCune, who is leaving after twenty-three years as a member of the Foundation’s Distribution Committee. These years saw great change in Western Pennsylvania and the Foundation. Rob was a key player in that change and our work has benefitted greatly from his stalwart commitment to Charles McCune and the Foundation. In his place we welcome Adam B. Edwards, who brings a new perspective to our work and represents a new generation of grantmakers.

Michael M. Edwards
Chairman