

CHAIRMAN'S STATEMENT - 2019

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 2019 the Distribution Committee approved 93 new and conditional grants totaling \$34,130,100. The Annual Report lists these grants. It is important to note that 69% of the grants were devoted to our Sunset Strategy (all Sunset grants and Concept Testing, Readiness, Ending Well grants and the majority of Director's Discretionary grants) but, more importantly, 89% of the dollars granted out were for this purpose. The Foundation is now thoroughly committed to the Sunset Strategy. With ten years left until the Sunset, our spending rate was 10.9% of invested assets.

Last year's Chairman's Statement explained how the strong investment markets are forcing us to adopt a gentle parabolic curve for spending instead of the "Constant Stream" we originally envisioned. This pressure continues.

Observations About Our Sunset

The Distribution Committee is now ten years into the twenty-year spenddown requirement and the numbers listed above demonstrate our Strategy in action. Experience has shown us that, while the Strategy is working well under current conditions, it will need further

tweaking if those conditions change. The result is that there is a clarity and focus to our work that is significantly increasing its impact. This is achieved by the Guiding Principles used to evaluate each grant request. The first principle is our mission of supporting organizations that improve the lives of the people of Southwestern Pennsylvania. The next layer is Granny's Rules – leave it better than we found it, don't start something if we can't finish and end well what we've started. The final layers are dicta we have developed – “leave a strong nonprofit community that can thrive after we are gone”, “support people with good ideas and the talent to execute”, “be transformative”, “transfer our DNA”, and “reach beyond the organization to a wider community.” The Guiding Principles direct the processes our Staff uses to identify quality proposals and they are in each committee member's mind as we read Project Summaries. For thirty years the McCune Foundation operated as most other foundations do. Yet it is only as we have been forced to face the Foundation's termination that we have been able to achieve that clarity and focus.

Why is that? At the base, any mistakes we make are very costly. Since the Sunset began, we know that we are dealing with limited resources and time. A grant that doesn't meet the expected result is opportunity lost somewhere else – forever. If the total resources of a grant prove to be insufficient, we will not be there to make up the difference. If a project proves to be unsustainable, that service to the people of Southwestern Pennsylvania will cease. As a result, our Staff has developed new tools to better understand organizations. Our Program Officers devote a great deal of attention to organizations' business models and their leadership and governance structures. The Project Summaries read by the Distribution Committee provide a higher level of detail by talking about the business model, expected outcome, past and current financial status, leadership and the summaries always finish with a description of the risks.

Another reason sunseting brings such focus is that we are dealing with a different timeframe than standard foundation work. A dictum not listed above is that Sunset grants will be devoted primarily to the top 130 grant recipients from our past. We know these organizations best. They have demonstrated the ability to reach their goals in the past. We know that they are likely to deliver in the future if we provide them with the right kind of capital. It forces us to look at a two- to four-decade continuum on each grant request.

Sunseting also means that our partners are working under a different timeframe. Many nonprofits live one budget year to the next. Leadership is forced to devote all their effort to meeting their budget so strategic planning and program expansion are often inhibited. Organizations requesting a grant must break this pattern and think strategically. Our Staff works extensively with our partners to ensure their plans are reasonable and sustainable, and that they have the capacity to deliver on them. It is fascinating to work with organizations so they can move out from their day-to-day pressures and dream of what they can be. Are mistakes made? Yes, but the Readiness and Concept Testing grants are designed to identify and correct them before the final investment is made.

Finally, sunseting means that we need to look very closely at the capital needs of an organization. We are no longer in the business of helping organizations meet budget. They

must be financially stable in order to absorb the larger Sunset grants and deliver on the sustainability that is required. This is a complicated concept requiring a great deal of Staff time and is a story for another day.

A Personal Note

My generation of McCunes has had the great privilege of being grantmakers for the past forty years. My service has included governance on three foundations founded by my ancestors, including 20 years at the McCune Foundation, and for two foundations in my home area where I serve as a program officer and trustee. Combined, I have had the pleasure of reviewing over ten thousand grant requests and delved into the operations of over one thousand nonprofits. I share this background to give importance to this statement: Nothing I have done as a grantmaker over the decades has been as interesting, challenging, rewarding and exhilarating as implementing our Sunset Strategy. The clarity and focus to our grantmaking previously mentioned creates the impact for which I, as a grantmaker, have yearned.

So, the McCune Foundation continues its journey, not toward the horizon, but towards its termination. There could be a sense of loss in that prospect. There is not for me, however, because we are seeing success in meeting all those Guiding Principles. It may not be the horizon ahead but it is our hope that it will be a lasting legacy.

Michael M. Edwards
Chairman