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## **MCCUNE FOUNDATION**

**Financial Statements for the Years Ended September 30, 2025  
and 2024 and Independent Auditors' Report**

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## **MCCUNE FOUNDATION**

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## **INDEPENDENT AUDITORS' REPORT**

The Distribution Committee of  
McCune Foundation

### **Opinion**

We have audited the accompanying financial statements of McCune Foundation (a nonprofit organization), which comprise the statement of financial position as of September 30, 2025, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the 2025 financial statements referred to above present fairly, in all material respects, the financial position of McCune Foundation as of September 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of McCune Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Prior Period Financial Statements**

The financial statements of McCune Foundation as of September 30, 2024 were audited by other auditors whose report dated January 27, 2025 expressed an unmodified opinion on those statements.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about McCune Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of McCune Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about McCune Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Grossman Yanak & Ford LLP*

Pittsburgh, Pennsylvania  
January 26, 2026

## MCCUNE FOUNDATION

### STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2025 AND 2024

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	<u>2025</u>	<u>2024</u>
<b><u>ASSETS</u></b>		
Cash	\$ 493,821	\$ 462,736
Investments	136,080,544	170,294,319
Prepaid federal excise tax	17,296	-
Other assets	<u>142,429</u>	<u>119,229</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 136,734,090</u></b>	<b><u>\$ 170,876,284</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES:</b>		
Deferred federal excise tax	\$ 636,800	\$ 759,700
Accounts payable	14,205	24,938
Federal excise tax liability	-	82,542
Other accrued liabilities	<u>156,323</u>	<u>127,267</u>
Total liabilities	807,328	994,447
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b><u>135,926,762</u></b>	<b><u>169,881,837</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 136,734,090</u></b>	<b><u>\$ 170,876,284</u></b>

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See notes to the financial statements.

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**MCCUNE FOUNDATION**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>INCOME:</b>		
Net realized and unrealized gains on investments	\$ 5,225,204	\$ 22,573,343
Dividends	2,365,998	2,012,651
Interest	3,372,223	3,072,826
Other gain (loss) on investments	(172,266)	225,738
Fees paid to trustee	<u>(387,745)</u>	<u>(490,479)</u>
 Total income	 <u>10,403,414</u>	 <u>27,394,079</u>
<b>EXPENSES:</b>		
 Program expenses:		
Grants	42,186,327	49,320,750
Salaries and benefits	1,104,207	1,221,602
Other	<u>455,318</u>	<u>586,654</u>
 Total	 <u>43,745,852</u>	 <u>51,129,006</u>
 Management and general:		
Federal excise tax expense	146,169	364,605
Salaries and benefits	340,249	282,429
Other	<u>126,219</u>	<u>117,203</u>
 Total	 <u>612,637</u>	 <u>764,237</u>
 Total expenses	 <u>44,358,489</u>	 <u>51,893,243</u>
 DECREASE IN NET ASSETS	 (33,955,075)	 (24,499,164)
 NET ASSETS, BEGINNING	 <u>169,881,837</u>	 <u>194,381,001</u>
 NET ASSETS, ENDING	 <u>\$ 135,926,762</u>	 <u>\$ 169,881,837</u>

See notes to the financial statements.

## MCCUNE FOUNDATION

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Decrease in net assets	\$ (33,955,075)	\$ (24,499,164)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net gain on investments	(5,225,204)	(22,573,343)
Assignment of program-related investment	377,577	1,748,000
Deferred federal excise tax	(122,900)	21,600
(Increase) decrease in:		
Prepaid federal excise tax	(17,296)	7,434
Other assets	(23,200)	(24,550)
Increase (decrease) in:		
Accounts payable	(10,733)	16,782
Federal excise tax liability	(82,542)	82,542
Other accrued liabilities	<u>29,056</u>	<u>19,643</u>
Net cash used in operating activities	<u>(39,030,317)</u>	<u>(45,201,056)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(23,997,895)	(68,576,517)
Proceeds from sale of investments	<u>63,059,297</u>	<u>113,900,612</u>
Net cash provided by investing activities	<u>39,061,402</u>	<u>45,324,095</u>
<b>INCREASE IN CASH</b>	<b>31,085</b>	<b>123,039</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>462,736</b>	<b>339,697</b>
<b>CASH, END OF YEAR</b>	<b>\$ 493,821</b>	<b>\$ 462,736</b>

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Excise tax paid \$ 368,907 \$ 253,029

See notes to the financial statements.

## MCCUNE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

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#### 1. ORGANIZATION AND PURPOSE

The McCune Foundation (Foundation) was established in 1979 by the Will of Charles L. McCune. Grants are made at the discretion of the Distribution Committee to organizations in and providing services to the residents of southwestern Pennsylvania, with an emphasis on human services, education, cultural, civic, and economic development organizations.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Financial Statement Presentation* - The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are the net assets that are not restricted by donor imposed stipulations. Net assets with donor restrictions are net assets subject to donor stipulations or restrictions. The Foundation does not have any net assets with donor restrictions as of September 30, 2025 and 2024.

*Tax Exempt Status* - The Foundation is qualified as a private, non-operating foundation under Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income tax under the provisions of Section 501(a) of the IRC. The Foundation is subject to an excise tax on net investment income and required to make certain minimum distributions in accordance with a specified formula (see Note 5).

Management believes that there is no liability related to uncertain tax positions at September 30, 2025 and 2024. The Foundation is no longer subject to tax examinations for years ended before September 30, 2022.

*Use of Estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of income and expenses during the reporting periods. Actual results could differ from those estimates.

*Cash* - The Foundation maintains cash at a financial institution which may at times exceed federally insured limits and which may at times exceed the amount reflected on the statement of financial position due to outstanding checks.

*Investments and Related Income* - Investments are reflected at fair value (see below). Recognized gains and losses as well as changes in the unrealized appreciation of investments are reflected in the statements of activities and changes in net assets using the specific identification method. Investments considered to be permanently impaired in value are written down to their estimated net realizable value and the writedown is recorded as a realized loss on investments.

The Foundation's investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with investments and the level of uncertainty related to changes in the fair value of individual investments, it is at least reasonably possible that significant changes can occur in fair value that may materially affect the amounts reported in the financial statements.

Investment transactions are at the discretion of PNC Financial Services Group, Inc. (PNC Bank), the Foundation's trustee.

*Fair Value Measurements* - U.S. GAAP establishes a framework for measuring fair value of financial assets. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three input levels of the fair value hierarchy are as follows:

Level 1	Quoted prices in active markets for identical financial assets
Level 2	Other significant observable inputs (quoted prices for similar financial assets, quoted prices for identical or similar financial assets in inactive markets, observable market data by correlation or other means)
Level 3	Significant unobservable inputs (including the Foundation's own assumptions in determining fair value)

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

*Grants* - The Foundation records unconditional grants when they are approved by the Distribution Committee. Conditional grants approved by the Distribution Committee, that is, those with a measurable performance or other barrier and a right of return, are recorded and disbursed when the recipient organizations meet the conditions, most of which require matching funds or meeting financial or outcome-based milestones.

*Functional Allocation of Expenses* - Expenses are allocated based upon their functional classification as either program or management and general. Program expenses represent grants awarded and costs associated with the Foundation's grantmaking purpose. Expenses that are attributable to both program and management and general require allocation on a reasonable basis that is consistently applied. Allocation is based on an estimate of time and effort spent related to each function

*Subsequent Events* - Management has evaluated subsequent events through January 26, 2026, the date which the financial statements were available to be issued.

### **3. INVESTMENTS AND FAIR VALUE**

Following is a description of the valuation methodologies used for investments measured at fair value:

*Cash and cash equivalents*: Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less and are valued at cost, which is expected to approximate fair value (level 1 inputs).

*Treasury bonds, stocks, exchange-traded funds (ETFs), and mutual funds*: These investments are valued based on available quoted prices in active markets (level 1 inputs)

*Corporate bonds and bond funds*: These investments are valued based upon pricing inputs other than quoted market prices, such as quoted prices in active markets for similar bonds or bond funds (level 2 inputs).

*Program-related investments (PRIs)* - PRIs are recorded at their cost as the determination of fair value would require significant management judgment or estimation. Further, these investments are anticipated to have a less than fair value return.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting dates.

Fair values and cost of investments measured on a recurring basis at September 30, 2025 and 2024 were as follows:

2025					
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 8,731,023			\$ 8,731,023	\$ 8,731,023
Fixed income:					
Corporate bonds	- \$ 44,880,332			44,880,332	43,259,488
Bond funds	- 9,721,740			9,721,740	9,476,988
Treasury bonds	5,657,322	-		5,657,322	5,543,094
Equities:					
Stocks	25,811,791	-		25,811,791	3,229,501
ETFs	21,846,237	-		21,846,237	3,942,201
Mutual funds	<u>19,432,099</u>	<u>-</u>	<u>-</u>	<u>19,432,099</u>	<u>15,435,943</u>
Total	<u>\$ 81,478,472</u>	<u>\$ 54,602,072</u>	<u>\$ -</u>	<u>\$ 136,080,544</u>	<u>\$ 89,618,238</u>
2024					
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 1,813,984			\$ 1,813,984	\$ 1,813,984
Fixed income:					
Corporate bonds	- \$ 63,961,893			63,961,893	62,710,558
Bond funds	- 7,227,789			7,227,789	7,166,996
Treasury bonds	18,048,324	-		18,048,324	17,981,586
Equities:					
Stocks	35,861,883	-		35,861,883	4,490,830
ETFs	22,287,500	-		22,287,500	4,714,423
Mutual funds	20,703,135	-		20,703,135	16,375,004
PRI	<u>-</u>	<u>-</u>	<u>\$ 389,811</u>	<u>389,811</u>	<u>389,811</u>
Total	<u>\$ 98,714,826</u>	<u>\$ 71,189,682</u>	<u>\$ 389,811</u>	<u>\$ 170,294,319</u>	<u>\$ 115,643,192</u>

During the years ended September 30, 2025 and 2024, PRIs were assigned to another entity by the Foundation and reflected as grants of \$377,577 and \$1,748,000, respectively. No impairment losses were recorded for these investments for the years ended September 30, 2025 and 2024.

The changes in investments for which the Foundation has used level 3 inputs to determine fair value are as follows:

October 1, 2023	\$ 2,252,420
Assignment of PRI	(1,748,000)
Proceeds from dispositions	<u>(114,609)</u>
September 30, 2024	389,811
Assignment of PRI	(377,577)
Proceeds from dispositions	<u>(12,234)</u>
September 30, 2025	\$ <u>      </u> -

#### **4. ENDOWMENT**

The Foundation, by definition, is an endowment. The Foundation was established by a donor gift and provides an endowment for up to 50 years. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has not adopted Act 141 because it does not have any endowment funds restricted in perpetuity. The Distribution Committee reviews and approves all grants to be distributed. As part of that role, the Distribution Committee sets the programmatic and sunset strategies for the Foundation's grant making activities. The trustee, PNC Bank, makes all investment and asset allocation decisions. Financial reports and summaries are provided to the Distribution Committee on a periodic basis.

The following represents the changes in the endowment fund net assets for the years ended September 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Beginning of year	\$ 170,294,319	\$ 194,793,071
Investment return:		
Realized gain	14,064,476	21,024,245
Unrealized gain (loss)	(8,839,272)	1,549,098
Investment income	5,565,955	5,311,215
Appropriation for grants	(42,186,327)	(49,320,750)
Fees and miscellaneous items	<u>(2,818,607)</u>	<u>(3,062,560)</u>
End of year	<u>\$ 136,080,544</u>	<u>\$ 170,294,319</u>

#### **5. FEDERAL EXCISE TAX AND MINIMUM DISTRIBUTIONS**

Deferred federal excise tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, which relates to temporary differences between the fair value of the investments for financial reporting purposes and underlying cost basis for tax reporting purposes. Deferred federal excise tax assets and liabilities are measured using enacted excise tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Foundation calculated the deferred excise tax liability at 1.39% for both of the years ended September 30, 2025 and 2024.

Federal excise tax expense (benefit) for the years ended September 30, 2025 and 2024 consisted of the following:

	<u>2025</u>	<u>2024</u>
Current	\$ 269,069	\$ 343,005
Deferred	<u>(122,900)</u>	<u>21,600</u>
 Federal excise tax expense	 <u>\$ 146,169</u>	 <u>\$ 364,605</u>

The Foundation makes estimated excise tax payments throughout the year based on the calculation of estimated federal excise tax on the 990PF. For the year ended September 30, 2025, the Foundation paid \$17,296 more than the federal excise tax amount for the year, which is recorded as prepaid federal excise tax on the statement of financial position. For the year ended September 30, 2024, the Foundation paid \$82,542 less than the federal excise tax amount for the year, which is recorded as federal excise tax liability on the statement of financial position.

In addition, in accordance with the IRC, the Foundation is required to make certain minimum distributions in accordance with a specified formula. As the Foundation is sunsetting and is spending down its available assets, the Foundation exceeded the calculated required minimum distributions during both years ended September 30, 2025 and 2024.

## **6. GRANTS**

As of September 30, 2025, the Foundation had awarded \$12,577,500 in conditional grants that are not reflected in the accompanying financial statements. The Foundation expects these conditional grants to be distributed through the year 2027 as the conditions set by the Foundation are met by the grantees.

## **7. LEASES**

The Foundation leases office space under an operating lease agreement that expires September 30, 2028. Rent expense for the years ended September 30, 2025 and 2024 was \$200,225 and \$195,678, respectively. The Foundation has elected not to adopt the guidance in FASB ASC Topic 842 *Leases*, the impact of which is immaterial to the financial statements as a whole.

Future minimum rentals under this lease are as follows:

2026	\$ 196,494
2027	199,449
2028	<u>202,404</u>
 Total	 <u>\$ 598,347</u>

## **8. RETIREMENT AND DEFERRED COMPENSATION PLANS**

The Foundation provides retirement benefits through a Simplified Employee Pension plan, allowing staff to select any custodian to receive their deposits. The Foundation also has a nonqualified 457(b) plan that allows for both employee and employer contributions for eligible employees. The Foundation's contributions to the plans are

based on 15% and 12.5% of employee compensation for the years ended September 30, 2025 and 2024, respectively, for which contributions were \$129,974 and \$136,097, respectively.

## **9. RELATED PARTY TRANSACTIONS**

During 2025 and 2024, there were certain grant applicants for which members of the Distribution Committee were affiliated. Pursuant to the practices of the Foundation, the related members abstained from voting in matters concerning affiliated applicants.

## **10. LIQUIDITY AND AVAILABILITY**

The Foundation manages its liquid resources by focusing on investment efforts, through an endowment fund, to ensure the Foundation has adequate investment returns to cover the grants that are being distributed and direct charitable efforts of the Foundation. The Foundation prepares detailed budgets and has been very active in fiscal management to ensure the Foundation remains liquid.

The Foundation has \$136,574,365 and \$170,367,244 of financial assets that are comprised of cash and investments, excluding PRIs, at September 30, 2025 and 2024, respectively. These financial assets have no restrictions and are available to meet cash needs for general expenditures and the payment of grants within one year of the dates of the statements of financial position.

## **11. GAIN CONTINGENCY**

The Foundation is named as a beneficiary of a defined benefit retirement plan sponsored by a related party. Under the plan provisions, the Foundation will only receive a distribution of plan assets if assets remain after there are no more participants in the plan, due to the death of the participants. Any future gain to the Foundation from this plan has not been estimated by management as of September 30, 2025, and could be material to the financial statements.

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