

2014 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.

In September the Distribution Committee adopted this new Mission Statement. Those readers that have a keen eye and a good memory will see that the McCune Foundation remains committed to community vitality and economic growth that lasts well into the future. This commitment is met by supporting non-profits, primarily thru grants, that effectively serve the people of Southwestern Pennsylvania. This geographical restriction is new and recognizes that the Foundation is most effective by working in the region that it knows best.

The programs that result from this mission are Education, Health and Human Services, Humanities and Economic Development. In 2014 the Distribution Committee approved 140 new and conditional grants totaling \$27,018,000. This represents a 4% increase in giving over last year. All the grants made during our fiscal year 2014 are listed later in this report.

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. Three 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 15 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 7.63% of our assets, without including administrative costs.

At the same time that the Constant Stream was adopted, the McCune Foundation instituted a new grants program called simply "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. 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.

In December 2013, the Foundation awarded a Big Idea grant to Bridgeway Capital, the region's largest Community Development Financial Institution.

Multiple grants over three years will create the Emerging Opportunities Fund to provide predevelopment grants and loans, as well as mezzanine loans, to support community development projects in low and moderate-income neighborhoods. It is expected that the grant will attract other investors resulting in a \$15 million Fund. Proceeds will be reinvested, thus leading to over \$27 million in investments over the next 10 years. Conservatively, these early-stage investments will result in at least \$175 million of direct investment in distressed communities. The grant is the result of over two year's of staff work, a pilot grant in 2012 to test the concept and six months of Distribution Committee review. It typifies the full concept of a Big Idea.

After three years, the McCune Foundation has now made three Big Idea Grants to organizations with which it has worked for at least a decade or longer. The first 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 Bridgeway Capital. The Foundation is now taking a two-year hiatus from making grants in this category. This time will be used to finish payment of these grants and to evaluate the program. We will look at everything from the grant criteria and application process to the effectiveness of the grants already made. What we learn will be applied as we resume the program in 2016.

For five years now the staff, trustee and Distribution Committee of the McCune Foundation have been working toward the termination of the Foundation while maintaining a grants program based on our history. This change in focus was anticipated and planned for but it continually teaches us new lessons and forces us to adapt. Last year this report mentioned that we were beginning to have to turn down grant requests from organizations, and for purposes, that we would have approved in the past. In 2013-14 this trend has accelerated, resulting in a strain for everyone. In March at a Strategic Planning Session the Distribution Committee affirmed three simple principles to help address this challenge.

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

Each grant program the Foundation runs has its own set of criteria. These three principles now apply to all requests with the hope that the strain will be lessened.

Circling back to the beginning of this report, while the Mission Statement was approved in September, the work on it began during the Strategic Planning session in March. The wordsmithing that occurs in mission statement rewrites is often endless. Early in the process the Distribution Committee substituted the word "improve" for the word "change." Change is a word used throughout the non-profit world and it was easy for it to appear in early iterations of the Mission Statement. However, the committee agreed that simply saying change does not indicate if that change is for the better or the worse. Improve indicates striving for

change for the better. The debate around whether our grants create change for the better could be unending. However, all of us that work for the McCune Foundation are committed to the improvement of this region for current and future generations.

Michael M. Edwards
Chairman