

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.

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. Last year's [Chairman's Statement](#) gave a history of the decisions the Distribution Committee has made to meet this requirement. Coinciding with Laurel Randi's first year as our new Executive Director, our Sunset Strategy was fully implemented in 2017. While our work continues in Education, Health and Human Services, Humanities and Economic Development, we no longer organize our grantmaking this way. As you will see in the [Annual Report](#), the majority of our grants are organized around the Sunset Strategy.

In 2017, the Distribution Committee approved 122 new and conditional grants totaling \$28,981,770. Thirteen grants, totaling \$15,225,000, were within the Sunset category. Sunset grants are final grants to our Top Grantees, which are organizations with which we have a deep and recent history. These grants are meant to be transformational for the organization and its impact on the community it serves. They are viewed as permanent "Living" assets, are additive to the core mission and are a base for sustainable operations well into the future. Within the Standard Grant category, fifteen grants, totaling \$2.3 million, were made to organizations preparing them for a potential Sunset grant from the Foundation. The spending rate this year was 8.82% of invested assets.

Within the Sunset grant category, The Distribution Committee approved the Foundation's fourth Big Idea grant. This \$5,000,000 grant to ACTION-Housing establishes the Equity Fund (\$4.5M) and the Working Capital Fund (\$500,000) which will help generate at least 1,600 units of housing for low-income and vulnerable populations, including, but not limited to, the working poor, youth aging out of foster care, the homeless, the elderly, and individuals often with complex disabilities. The Equity Fund will be self-replenishing and the Working Capital Fund will be spent down over the next ten years.

In September, Laura Ellsworth rotated off as a member of the Distribution Committee. Laura was a member of the original group of Community Members and served the Foundation for six years. Laura Ellsworth was a perfect committee member. She attended every meeting and always came prepared. Laura engaged fully in every issue that came before the committee and always gave us her best thinking. Most unique is her ability to absorb the culture of the organization she is a member of in order to serve it better. This does not mean that she never pushed us. At times, she took us to the edge of the envelope but she always understood what we could, and could not, do. We have done our work better thanks to her and she will be missed.

Laura Ellsworth used to call our approach to the work of grantmaking "McCunian." Organizations make a series of decisions through the years that define their culture. Those decisions may seem small when they are made but they grow in importance over time. Ever since the Community Members joined the Distribution Committee in 2011, we have had to explain, and justify, our culture. It would be beneficial for everyone involved with the Foundation, whether they are staff, committee members, non-profits or colleagues, to understand the McCune Foundation's approach to grantmaking.

In Southwestern Pennsylvania, the McCune Foundation is known for conducting its work anonymously, which is an odd sort of contradiction. This decision was made by the first Distribution Committee and reflected the tradition of the McCune Family going back for more than a generation. In the 1980's, when this decision was made, anonymity meant more than it does today. Non-profits back then were only required to provide their 990PF's to whomever asked for them. The Foundation's Annual Report was mailed to a select group. Today the Internet makes any 990PF immediately available and our Annual Report is posted on line. What anonymity now means for us is no press releases by grant recipients mentioning the Foundation and the name McCune appears in no public reports, on no buildings and on no programs.

The impact of anonymity shows in several ways. We are not a convener of organizations and we do not communicate policy changes by press release. Rather, each year we conduct scores of one-on-one conversations with organizations to see if there is alignment with our goals and their needs. As a

result, we try to be quiet and steady in meeting our mission. We do not take ourselves seriously but we take our work very seriously. The story will never be about us. It is about the people doing amazing things in Southwestern Pennsylvania.

Another decision made by the original Distribution Committee was that our operating expenses should be half of the expenses of our peer group. Their goal was to dedicate more funds to grantmaking than to internal purposes. The primary result is that our program officers have to be generalists – able to work across the wide variety of organizations we support. We cannot afford to hire specialists in each field in which we work. The result is what has become what we call the “Industrial Model.” The McCune Foundation looks for innovative people, ideas and organizations and then provides them with the capital they need for implementation. We find that grants are most successful when an idea originates within an organization and has full buy-in by that organization. This is a model that Charles McCune, the banker, would clearly have understood.

Charles McCune is directly responsible for several other facets of our culture. We value our independence fiercely. This doesn’t mean we don’t collaborate but it means we do it with great consideration. Organizational health is very important to us. Our goal is to have our grant recipients provide the services we support long after our Sunset. Finally, we understand that every grant is a risk. Our job is to control that risk without stifling innovation.

The size of the foundation world has grown exponentially since the McCune Foundation was formed in 1979. Within that world, we know that none of our characteristics are unique, but it is the combination of them that makes us us. We also know that there are many different ways of conducting foundation business, and they all can be effective. This report merely tries to describe what we are as our Staff and the Distribution Committee work toward our 2029 Sunset.

Michael M. Edwards
Chairman