

CHAIRMAN'S STATEMENT – 2023

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 major 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 Civic, we no longer organize our grantmaking around these categories. Now, our Sunset Strategy deals with Sunset Grants, Concept Testing, Readiness and Ending Well with each being described in the Annual Report.

In 2023 the Distribution Committee disbursed 89 new and conditional grants totaling \$42,730,959. The 2023 Annual Report lists these grants. Our average grant size this year is \$480,123. Sixty-six percent of all our grants made this year were dedicated to the Sunset Strategy but, more importantly, 92% of all dollars granted were dedicated to the Sunset. The spending rate this year was 22% of invested assets at the end of the fiscal year. Total grants and average grant size are down from 2022, which will likely be the peak grants budget as we approach termination. The spending rate will continue to increase as 2029 approaches.

Managing the Workload

John McCune V was Chair of the Distribution Committee from 1983 until his passing in 1993. During his tenure the Foundation became fully funded and the grant budget increased from just under four million dollars to well over thirteen million. It was during this period that the Foundation's grantmaking became more formalized and many of the Guiding Principles we live under today were formulated.

John McCune was firm about wanting the dollars available for distribution be devoted to grants that would benefit the communities the Foundation served. He wanted to minimize the dollars devoted to other activities. One result of this approach was the directive that the Foundation's operating costs would be one-half of those of our peers. One result of this guideline is that the Foundation's staff size has stayed steady at six since 1995 despite going from a grantmaking volume of \$13,825,000 to \$42,730,959 in 2023.

This staffing model is significantly smaller than our peers. Managing the workload of a grants budget that averaged about twenty-five million dollars through the years and has peaked at just over fifty million dollars, due to our sunseting, resulted in two characteristics of our Program Staff. First, our Executive Director is also a Program Officer, which seems normal to us but is unusual. Second, our Program Officers are generalists. Many of our peers have program officers with previous and extensive experience in the fields that they oversee. This results in increased staffing and grant making that may be more directive. Our staff, while over time developing a level of expertise in various fields, spend their time looking for organizations with good ideas and the ability to execute them.

Going back to the significant increase in the Foundation's grant budget due to our sunseting, it was clear that, if we held to the principle of being low cost, methods would need to be developed to help manage the workload of either larger or more grants. The first program that was designed to address this challenge was our Big Ideas, which are described elsewhere in this report. While these large grants would require more due diligence than standard grants, the resulting jump in average grant size would help manage the workload. Unfortunately, we quickly learned that the capacity in Southwestern Pennsylvania for grants of this size and purpose was very limited to a few, larger organizations. If our sunseting efforts were limited to just Big Ideas we would be unable to work with enough organizations to adequately strengthen the non-profit community to make up for our future absence, which is one of our goals.

The other program that was implemented was Clusters. These are organizations in the same field and similar in nature. It was our hope that lessons learned from one organization could be applied to others – thus reducing the time spent getting to understand an organization's current needs and abilities. It was our work in small and medium size arts organizations that first made us aware of the possibilities. While we continue to organize and work in clusters, as of this writing they have not magically managed the workload. The direct benefits remain unclear but it is likely that their influence will be clarified over the next five years.

The lesson to take from all this is that there are no shortcuts to quality grantmaking. Our program officers each must maintain a relationship with our partners. Long discussions need to occur to determine each organization's current strengths, weaknesses and needs. With some organizations, they must have lengthy discussions to identify a need

that allows us to finish a body of work with a targeted final gift. With other organizations they must usher them through readiness and concept testing grants in the hope that they are prepared for a larger Sunset Grant. In the end, managing the workload doesn't mean reducing it, it means doing it fully and effectively.

Farewell

Good teachers want the best from their students. Good teachers want the best for their students. From working with her for six years on the Distribution Committee, it is easy to say that Kristen Kurland is a great teacher.

While Kristen was always completely engaged in the issues before us and the grant requests we were evaluating, her greatest strength was her intuitiveness around the committee itself. Kristen worked carefully to get to know each of us and has a high capacity for empathy. Her voice was often heard when we were stuck on something and her support in a certain direction would get us moving. On several occasions, she gave of her time outside our meetings to help a fellow member understand issues before the committee or assist them in other areas of interest.

We are grateful to Kristen for all she brought to our work and know that she will bring great value to all the organizations she serves in the future.

Michael M Edwards
Chair – Distribution Committee