



PULASKI HIEGHTS UNITED METHODIST CHURCH FOUNDATION

Fund Distribution Procedures

Introduction

The PHUMC Foundation (the “Foundation”) is a Type I Supporting Organization as defined under Section 509(a)(3) of the Internal Revenue Code. As such, the Foundation is established to promote, carry out, further, support, encourage, and assist the purposes of Pulaski Heights United Methodist Church (“Pulaski Heights” or the “Church”). The Board of Directors of the Foundation (“Foundation Board”) may cause the Foundation to establish, support and maintain, in whole or in part, religious, charitable, and educational agencies, institutions, and corporations and may grant scholarships and fellowships for study, teaching, and research within the charitable purpose for which the foundation is established and as permitted by law.

The purpose of the procedures is to set forth guidelines for the determination of amount and recipients of grants and distributions from the Foundation (hereinafter a “Grant” or “Distribution”). It is the intent of this procedure to be consistent with the By-Laws of the Foundation. To the extent that the terms of this Fund Distribution Procedure are inconsistent with the By-Laws, the terms of the By-Laws of the Foundation shall control.

Eligible gifts and donations are discussed in the “Gift Acceptance Policy and Guidelines” document. The Foundation maintains two separate types of funds. One, unrestricted, are the principal in the General Endowment which holds donations, gift, and contributions. The income of these gifts become the General Endowment Spending Account. The second type are funds whose use is restricted by the donor, for specific use in the mission, program area, or project supported by the Church. The Foundation maintains separate accounts for general unrestricted funds and the restricted or designated funds (each a “Fund”).

Endowment Earnings

With the advice of The Methodist Foundation for Arkansas (“the MFA”) the Foundation Board has determined the following formula to be used to the determine amounts derived from earnings which are available for distribution. A four percent (4%) spending rate strategy based on a 12-quarter average fair market value of unrestricted and restricted funds will be used, unless otherwise determined by Board policy.

Any funds (earnings) that are not used in the calendar year in which they are added to the respective spending account are retained by the specific fund within the Foundation and are accumulated.

Distribution Procedures

There are several ways in which available funds are distributed by the Foundation, based upon the way they were donated (See PHMC Foundation Gift Acceptance Policy and Guidelines). Generally, the Foundation is the steward of income from the endowment investments. Disbursements or Grants from these funds are similar but discrete processes.

Unrestricted Funds

Unrestricted Funds are historic or individual endowments established to promote the PHUMC missions and ministries. Earnings from the unrestricted endowments are calculated as described above in **Endowment**

Earnings in January each year. These earnings are transferred within the MFA to the Unrestricted Spending Account and distributed in the three uses described below.

Support for PHUMC Operating Expenses

As of 2024, when the funds are transferred into the Unrestricted Spending Account, the PHUMC Foundation staff will calculate the value of 60% of the annual transfer and inform the PHUMC Chief Financial Officer of the value of the annual Foundation support of the Church. The Foundation pledge to the PHUMC Operations may be transferred monthly, quarterly, semi-annually, or as a lump-sum in an annual transfer. The first of any payments to the PHUMC Operations should be made no later than February 15.

The remaining 40% of the annual transfer funds the operating budget of the Foundation budget, including payroll and benefits of the Foundation staff, Foundation meeting meals, and other associated expenses related to the Foundation.

Foundation Operating Reserve

This Operating Reserve is maintained with a minimum amount of at least one year's Foundation Operating Expenses. At the end of 2023, the Operating Reserve balance was approximately \$190,000. At the end of every year, any excess operating funds may be transferred to the Operating Reserve, allowed to accumulate in the Unrestricted Spending Account, or transferred to the Unrestricted Grant Reserve Fund per the Board's direction.

Discretionary Grants

The Grant Reserve Fund was created to allow the Foundation to award special, one-time grants for projects outside the normal operating budget. NOTE: These funds are not available to offset personnel costs. Requests for staffing purposes or projects unrelated to the Church's mission or ministries or inconsistent with the By-Laws of the Foundation will not be considered.

Any monies designated by the Foundation Board for the Unrestricted Grant Reserve Fund are secondary in priority to the PHUMC Foundation Board Operating Budget Reserve. When there are at least \$30,000 in the Unrestricted Grant Reserve Fund (accounting for any outstanding grant amounts), the Foundation may solicit members of the PHUMC Program Staff to submit requests for funding with a set deadline for submittals and award dates. *Exhibit A: 2025 Discretionary Grant Application* is a sample of the current grant application.

All Discretionary Grant applications will be reviewed by both the Executive and Finance Committees where any or none of the requests may be recommended to the full Foundation Board for final approval and funding. The Board has total discretion to approve or reject any of the requests as well as modify the amount awarded. If any Discretionary Grants are approved, at the direction of the PHUMC Foundation Executive Director, those funds will be transferred at MFA from the Unrestricted Spending Account to the Unrestricted Grant Reserve Fund for subsequent distribution.

For reimbursement for approved grant expenses *Exhibit B: Request for Distribution from Unrestricted Endowment* form is to be completed by the staff contact for partial or total expenditures. Upon approval by the Foundation Board, the Executive Director will obtain the appropriate signatures, and make the request through the MFA Account Portal. Signed request forms and any backup information are submitted separately via email to the MFA and copied to the PHUMC Finance Office.

The Foundation Office will maintain an accounting of grant approvals and distributions. In the event any program staff must deviate from the expected Grant purpose or timing, the Foundation will be notified and will either accept or reject the proposed revisions. The funds approved should be expended within two (2)

years of the award.

Restricted Funds

As mentioned previously, restricted funds are those established citing a specific purpose or area of use (e.g., youth, music, missions, Sunday School, worship, etc.). Like the Unrestricted Fund earnings, these are earnings, are also transferred annually by the MFA to their related Spending Accounts. Funds in these Spending Accounts are available to PHUMC clergy and staff to help promote the mission and ministry of PHUMC.

Foundation staff will prepare a table of the available restricted spending accounts (“Program Funds”) for the appropriate clergy and staff informing them of the current balance of funds in the specific spending accounts. In those same communications, *Exhibit C: Distribution Request from Restricted Funds* will be included with instructions on how to complete the form and the annual schedule of PHUMC Foundation Board meetings for submittal.

Program staff will make requests using the *Distribution Request from Restricted Funds* detailing the amount and purpose of the expenditure. Information regarding the request(s) will be provided to the Foundation Board members for approval, either in-person or via email.

Upon approval by the Foundation Board, the Executive Director will obtain the Foundation approval signatures, notify the responsible program staff, and will obtain funds through the MFA either as a physical check or a bank transfer. Foundation approval signatures may be provided by the Executive Director, Chairperson of the Foundation Board, or Vice-Chairperson if the Board Chairperson is not available.

Fund Exceptions

There are specific funds which have different (donor-proscribed) earnings transfer strategies (different earnings percentage, specific use, combination of endowment and earning account) for which these procedures do not apply. These accounts are listed in *Exhibit D: Special Funds*.

Adopted by PHUMC Foundation Board: _____.

Exhibit A: 2025 Discretionary Grant Application

Exhibit B: Request for Distribution from Unrestricted Endowment

Exhibit C: Distribution Request from Restricted Funds

Exhibit D: Special Funds



PULASKI HIEGHTS UMC FOUNDATION
DISCRETIONARY GRANT APPLICATION
2025

Applicant: _____

Ministry Area: _____

Applicant Phone (Church): _____ **(Mobile):** _____

Amount requested: _____

Describe the proposed use of potential grant award. Attach additional pages to provide more detailed information about use to assist review of the grant application.

Additional Information Submitted:

- A. Proposed Budget**
- B. Proposed Schedule**
- C. Any other documents supporting the proposed grant (e.g., speaker’s resume or partnering agencies, regulatory requirements, etc.)**

Grant applications are due to the PHUMC Foundation Office no later than 4:30 PM on (month and day). All grant applications are subject to approval by the PHUMC Foundation Board. Announcement of grant awards will be made on or around (month and day).



PULASKI HIEGHTS UMC FOUNDATION

DISTRIBUTION REQUEST FROM RESTRICTED FUNDS

Requestor (Staff member, lay leader, or church group): _____

Request approved by _____
(ex. Children’s Council, Mission Board, Music & Arts Council, etc.)

Account _____

Amount requested _____
_____ Partial Distribution _____ Full Distribution

How funds will be used _____

(Please use back of form if more space is needed.)

Signature and title of person making request

Date

NOTE: Please attach any documentation about expense or purchase (description, purchase order, estimate, receipts, etc.) to this form.

Date request approved by PHUMC Foundation Board: _____

TWO SIGNATURES REQUIRED: For amounts less than \$5,000, signature of Executive Director of PHUMC Foundation AND signature of PHUMC Director of Finance required. For amounts of \$5,000 or greater, the signatures of the Executive Director AND Board Chair of PHUMC Foundation are required.

Signature of Executive Director – PHUMC Foundation

Date

Signature – Finance Director for \$4,999 or less **OR**

Date

Signature – Board Chair for \$5,000 and over



PULASKI HIEGHTS UNITED METHODIST CHURCH FOUNDATION

SPECIAL FUNDS

There are select accounts for which the donors defined slightly different investment and distribution processes when compared to the other restricted and unrestricted Spending Accounts.

- Berry Music and Arts Scholarship – funds may be deposited into this account. Currently, the fund allocation for scholarships is \$6,000 annually (four students X \$1,500 per student). Scholarship applicants are solicited annually for returning and new students. The scholarship awards are determined by the Selection Committee (PHUMC Director of Music, Berry Family representative (currently Dr. Keith Berry), and Mr. Courtney Swindler). Scholarships may not be awarded each year.
- Borchert Special Use Endowment – Use of funds is at the discretion of the Senior Pastor. Earnings will be posted to a spending account as defined in the Gift Agreement. There will be no distributions until a specific principal threshold is attained.
- Cokenour Scholarship Fund – award is determined by the Selection Committee (PHUMC Senior Pastor, Chair of the Board of Stewards, Chair of the SPRC, and Chair of the PHUMC Foundation Board).
- Donor-Advised Funds – which are managed by a donor or donors via the PHUMC Foundation. There are not tax benefits for distributions from these funds as the tax benefit was realized when funds were deposited to these accounts.
- Faulkner Basketball Scholarship – applications are solicited annually. The selection is made by the Foundation Chair, and the Pastor to Youth and Families
- Gaston Family Endowment – dividends and interest earnings are transferred annually to the PHUMC Operating Account.
- Holcomb Senior Pastor's Fund – use is at the discretion of the Senior Pastor and approved by either the PHUMC Finance Committee Chair or the PHUMC SPRC Chair if the amount exceeds \$500.00.
- Little Joe and the BKs Scholarship Fund– applications are solicited annually. The selection is made by the Foundation Chair, and the Pastor to Youth and Families with input from the remaining original donors (B. Villines and K. Roberts).
- PHUMC Organ Fund – this fund accrues its own interest. The funds are used to cover maintenance costs of the Sanctuary Organ (tuning, etc.).
- Sullivan – Upon attaining a principal amount of \$50,000, a 5% spending rate will be used to transfer funds to a restricted spending account.
- Sybil Naylor Vinton Trust – annually 40% of the dividends and earnings are transferred to the principal with the remaining 60% transferred to the PHUMC Unrestricted Spending Account.