



Related Organizations Policy and Dues Phase In

While most affiliates report information on related entities as part of their dues calculations, there has not been uniform consistency with this practice. Affiliates are engaging in more and more complex, diverse corporate structures. UCP believes there is a need for a uniform and consistent policy on the matter to promote fairness and equality among its affiliates for purposes of affiliation dues, while not constraining affiliates from engaging in the types of structures that meet their needs. Those affiliates that may be facing a significant increase in dues because of a corporate merger or acquisition may find benefit from UCP's policy on dues calculations, which limits annual dues increases to 25% of existing dues, subject to a maximum phase-in period of five (5) years.

Related Organizations

For purposes of calculating dues, affiliates must report expenses of all "related organizations," as defined by the IRS for reporting on Schedule R, Form 990. See attached Appendix A. An affiliate may deduct from reported expenses those expenses of a related organization to the extent to which the expenses are merely a direct transfer of funds between the two organizations. For example, an affiliate would be able to deduct from the reported expenses of a related foundation any transfer of funds made to the affiliate to fund administrative or program expenses that would also be reported by the affiliate as expenses.

Adopted by the UCP Board of Trustees - February 2007
Amended and Readopted – April 11, 2014

APPENDIX A

According to the Internal Revenue Service, as of March 6, 2014, subject to change:

Related Organizations

Related organizations are organizations that stand in a parent/subsidiary relationship, brother/sister relationship, sponsoring organization of or contributing employer to a VEBA, or supporting/supported organization relationship. Supporting and supported organizations are defined in section 509(a)(3) and 509(f)(3). The first two relationships depend on a definition of *control* set forth in the Form 990 instructions glossary and Schedule R instructions. The definition of *control* depends on whether the organization has owners or persons with beneficial interests.

For those organizations without owners or persons with beneficial interests:

There is a parent/subsidiary relationship between such organizations if:

- One organization (the *parent*) has the power to remove and replace, or a continuing power to appoint or elect, a majority of the directors or trustees of the other organization (the *subsidiary*).
- There is a management or board overlap situation where officers, directors, trustees, employees or agents of the parent constitute a majority of the directors or trustees of the subsidiary.

There is a brother/sister relationship between such organizations if the same persons constitute a majority of the members of the governing body of both organizations or if the same entity or person controls both organizations.

For those organizations with owners or persons with beneficial interests:

There is control if one organization (the *parent*) owns more than 50 percent of the other organization (the *subsidiary*), as follows:

- More than 50 percent of the stock (measured by voting power or value) of a corporation;
- More than 50 percent of the profits or capital interest in a partnership (or limited liability company (LLC) treated as a partnership); or
- More than 50 percent of the beneficial interests in a trust.

There are also several special rules for treating a partner or member (the *parent*) as controlling a partnership or limited liability company ("LLC") (the *subsidiary*):

- An organization that is one of three or fewer managing partners or managing members is deemed to control that partnership or LLC;
- An organization that is one of three or fewer general partners in a limited partnership is deemed to control that limited partnership; and
- The sole member of a disregarded entity controls the disregarded entity (for example, a single-member LLC).

In the first two situations, control in fact typically exists regardless of the level of economic ownership in the entity.

Supporting organizations

A *supporting organization* is a tax-exempt entity whose purpose is to benefit or further the purposes of one or more charities. All section 509(a)(3) supporting organizations, whether Type 1 (operated, supervised, or controlled by); Type 2 (supervised or controlled in connection with); or Type 3 (operated in connection with); are considered related organizations with respect to the organization(s) they support.