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INDUSTRY REPORT

Business & Professional Associations

NAICS: 813910, 813920
SIC: 8611, 8621
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Current Conditions

Recent Developments (Expand All / Collapse All)

Dec 2, 2022 -- Associations Asked To Align Climate Policies

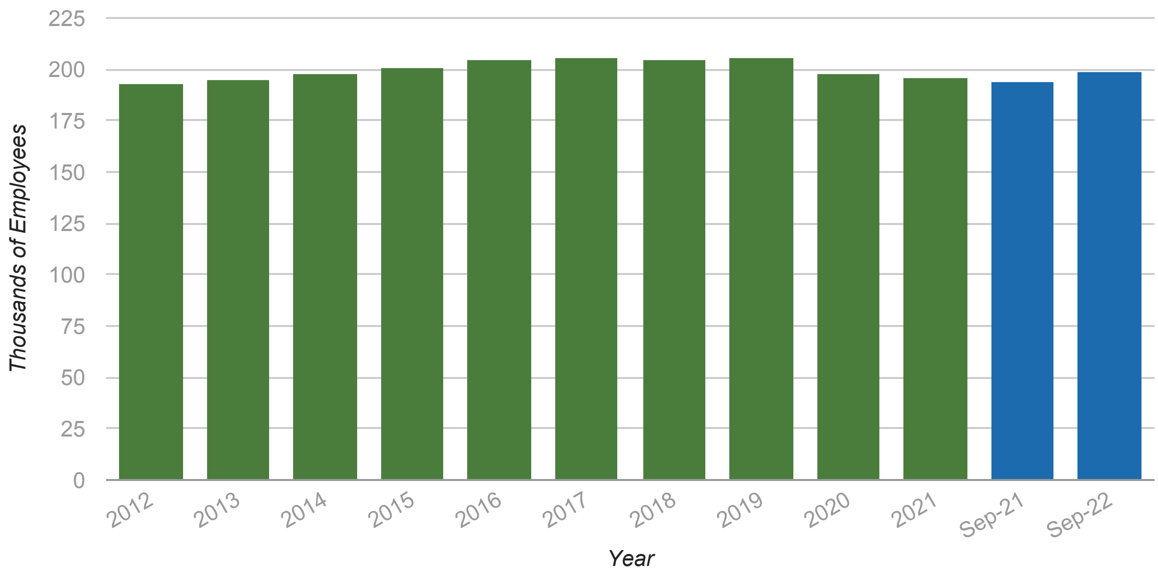
- Corporate Knights and the Global 100 Council have launched an initiative to mobilize some of the world's most powerful actors to align their policy engagements as well as those of their industry associations with the Paris Agreement. The Corporate Knights Action Declaration on climate policy engagement has garnered the support of more than 50 global companies representing some $900 billion in annual revenues (almost 1% of global GDP). The Action Declaration takes a three-pronged approach. Signatories are committed to supporting climate action aligned with the Paris Agreement when engaging with policymakers, working with their major industry/trade associations to advance alignment with the Paris Agreement, and monitoring and disclosing climate policy alignment for their companies and their major industry/trade associations.
- Business and professional organizations are likely to benefit from a rebound in business travel. Lodging executives cited a long-awaited rebound in business travel that began after Labor Day, helping to boost results in September and October. Business and professional associations may see a rebound in revenue from seminars, conferences, and trade shows. The comeback has shown no signs of slowing as companies seek to reconnect with clients, executives said. “The recovery has been much, much steeper than anybody thought,” Hilton Worldwide Holdings CEO Chris Nassetta said.
- More than 70 business associations voiced opposition to the Inflation Reduction Act that was signed into law in in mid-2022. A letter from the associations to federal lawmakers argues that the Act does nothing to address immediate inflation issues even as it increases the burden of the tax code shouldered by America's small and family-owned businesses. “Our assessment is it's not going to do anything to stem inflation,” said S Corporation Association President Brian Reardon. ”The savings are all backloaded. The spending is in the front so if anything, at best, it's going to be neutral on inflation. Studies by Penn-Wharton [The University of Pennsylvania Wharton School of Business] and the Tax Foundation and CBO [Congressional Budget Office] actually suggest it might increase it a little bit in the short term. It's not addressing the concern that most of my members have, the primary concern, which is inflation.”
- Many legal experts suggest that a recent Supreme Court ruling which substantially limited the authority of the Environmental Protection Agency (EPA) to regulate carbon emissions from power plants may result in litigation of pending Securities and Exchange Commission (SEC) rule changes that would require public companies to increase their disclosures relating to climate risk. The June 2022 West Virginia v. EPA ruling addressed the proper scope of executive agency rulemaking, so it may impact other regulatory agencies. The SEC's proposed rules would require companies listed on US stock exchanges to disclose the greenhouse gas emissions that they directly and indirectly cause if the emissions are ”material” or included in a company-set emissions target.

Industry Indicators

Employment and Wage Trends

Employment by business and professional associations increases – Overall employment by business and professional associations changed 2.3% in September compared to a year ago, according to the latest data from the Bureau of Labor Statistics.

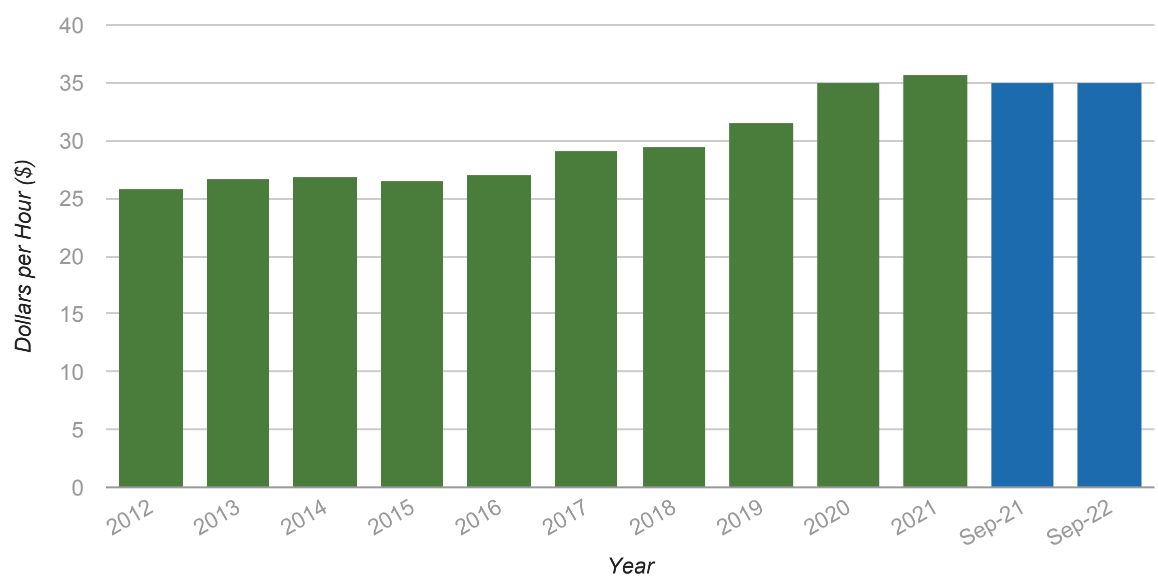
Business & Professional Associations Employment



Source: Bureau of Labor Statistics

Wages at business associations stay flat – Average wages for nonsupervisory employees at business associations were $34.98 per hour in September, a 0.1% change compared to a year ago.

Average Wages for Nonsupervisory Employees



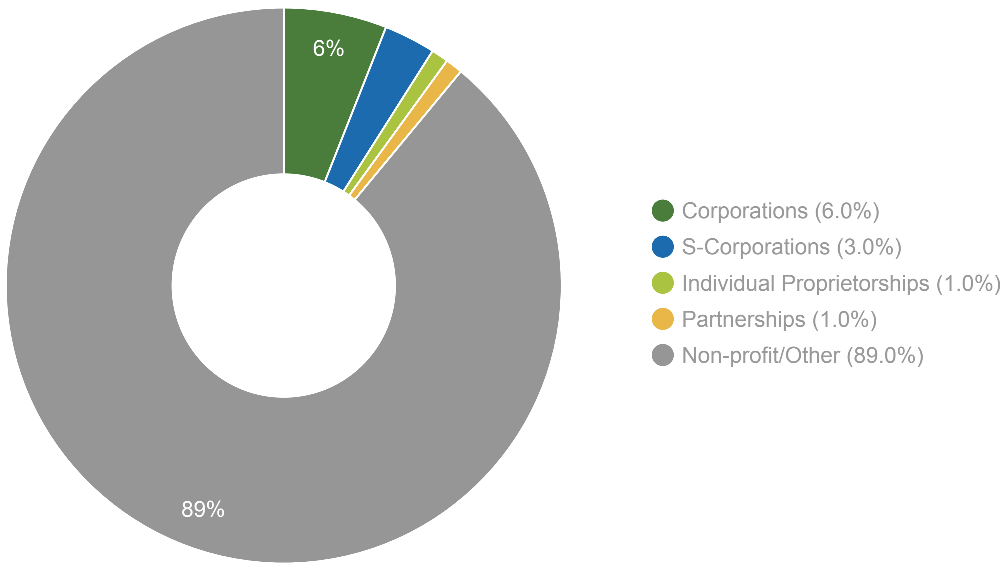
Source: Bureau of Labor Statistics

Industry Structure

A typical business association employs 7-8 workers and generates almost $2 million annually, while a typical professional organization employs 12 workers and generates $3-4 million annually.

- The business and professional association industry consists of about 22,100 organizations that employ about 198,300 workers and generate about $53 billion annually.
- Business associations include chambers of commerce, real estate boards, and manufacturers' and trade associations.
- Professional associations include healthcare professional and bar associations.
- Most organizations are small and operate out of a single location.
- The median board size for associations is 15, according to the ASAE.
- Large associations include the National Association of Realtors, National Association of Manufacturers, American Medical Association, and the National Education Association.

Industry Demographics



Source: US Census Bureau

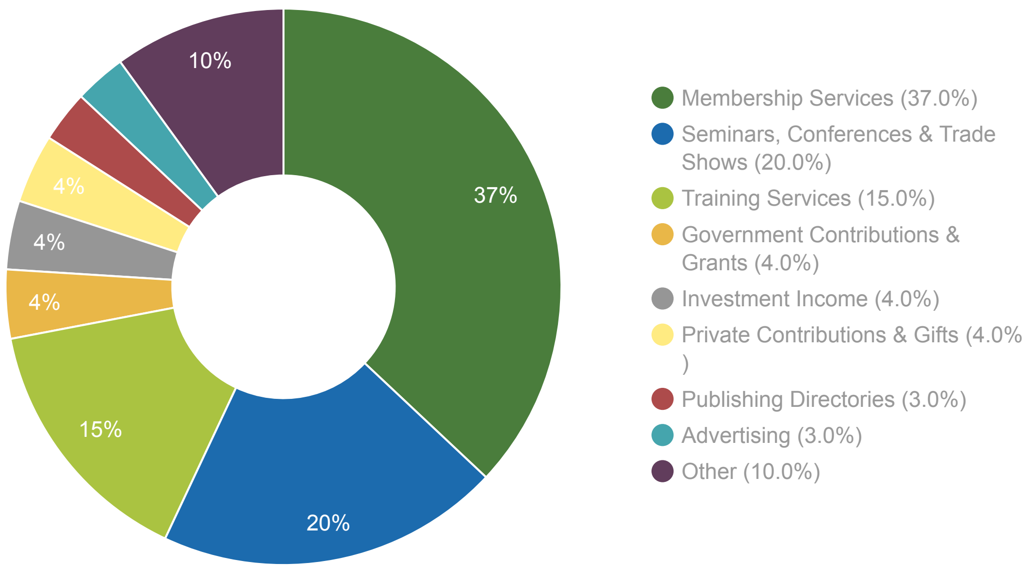
How Firms Operate

Products and Operations

Business associations and professional organizations provide services to and promote the interests of their members and industries.

- Sources of revenue include membership fees, events (seminars, conferences, trade shows), public and private contributions, investment income, training services, advertising, and publications.
- The average retention goal for associations is about 75%, according to the American Society of Association Executives (ASAE).
- Dues may be paid by individual members, their employers, or a combination of both.

Business & Professional Associations Revenue

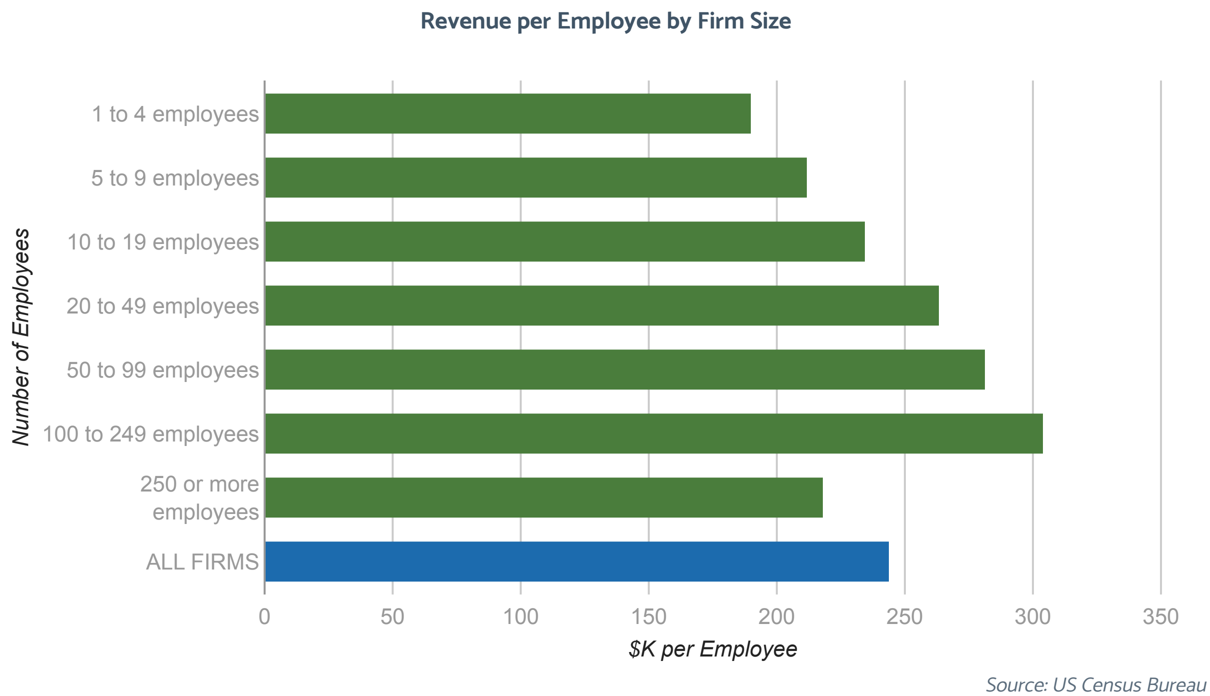


Source: US Census Bureau

Association services include conducting industry research, generating statistics, developing quality or certification standards, monitoring government regulations, and publishing newsletters, books, or papers. Associations may organize trade shows, conferences, and meetings and provide educational programs. They also may lobby government officials and attempt to influence legislation that is favorable to the industries they represent.

Because a significant percentage of revenue comes from dues, associations dedicate resources to membership recruitment and retention. Organizations may offer different levels of membership to appeal to various types of members (individual, group, and corporate). Fundraising is another important way to generate revenue. Associations typically solicit contributions from members and apply for government grants and funding.

In small associations, many workers are required to be “generalists” and fill multiple roles. Most associations rely on volunteers for both day-to-day operations and board positions. To better focus on broader industry issues, a growing number of associations are using outsourced management services.



Profit Drivers

Growing Membership Fees

Associations rely on membership fees as their largest revenue source. Besides generating membership fees, a growing membership base also drives demand for events, publications, and other services. Associations typically dedicate staff to membership recruiting and retention and invest in marketing campaigns to attract new members. Certification programs for professionals and continuing education requirements can help to attract and retain members.

Hosting Profitable Events

Events, such as seminars, conferences, and trade shows, are typically an association's second largest revenue source and are important vehicles for attracting members. Successful events generate profits for associations, but they risk incurring losses if attendance falls short of plan. Larger associations may use in-house staff to plan and manage events, while smaller associations often hire event management companies.

Soliciting Donations and Grants

Business and professional associations also rely on donations from members and corporations to fund their operations. Corporate and individual donations are often solicited to support lobbying activities by associations. They may also apply for government grants to fund community outreach activities or educational programs.

Industry Trends

Economic State Affects Association Industry

Business and professional associations are impacted by the status of the economy. During a strong economy, membership and revenues tend to increase with growth in professionals' and businesses' disposable income. During a weak economy, the reverse can be true with businesses and professionals foregoing the cost of membership, association events and resources, and advertising on association websites and publications. Association membership may also suffer when participating businesses cut employment. Economic influences include unemployment; the rater of government, business, and consumer spending; and changes in business regulations and tax codes.

Increasing Dependence on Non-Dues Revenue

Uncertainty over dues revenue has led associations to become more reliant on non-dues programs. Increased participation in meetings and trade shows has helped grow non-dues revenue, although the strongest growth came from programs that were one day or shorter. Educational programs, particularly online offerings, have also helped associations. While online education has not delivered the revenue growth most executives expected, associations continue to offer webinars and virtual tradeshows as a complement to in-person meetings.

Industry Consolidation

Faced with consolidation across the industries they serve and declining memberships during the past recession, some associations (particularly smaller ones) were forced to merge to survive. Mergers allow organizations with similar objectives to pool resources and maintain a viable membership base. The number of business and professional associations has declined in recent years. While business associations have reduced their workforce, professional organizations have increased their employment.

Social Media

Most associations are involved in some form of social media, including Facebook, LinkedIn, and Twitter. The percentage of members who are using social platforms is also growing. The interactive nature of social media has helped many associations engage members and solicit feedback. Small associations are able to leverage basic social media tools with limited budgets. Social media has been especially effective in reaching younger members, who are heavily dependent upon electronic communication.

Shift to Perpetual Membership Models

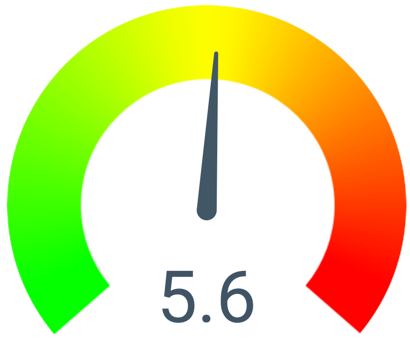
A growing number of associations are using automatic renewal models for annual and multi-year memberships. In the automatic renewal model, a member provides billing information and dues are charged automatically without prior notification or member confirmation. 47% of associations offered automatic renewal, 22% offered multi-year renewals, and 35% offered installment plans in 2021, according to Marketing General. Automatic renewal is convenient for associations and members and helps to stabilize retention rates and incoming revenue.

Streamlining Association Administration

Most associations are investing in information systems to automate information on members, dues collection, event management, marketing campaigns, and accounting functions. Some associations are using outsourced management services for HR and accounting functions to reduce the size of administrative staff and focus on their core mission. Staffing is an association's largest administrative expense, and many rely on volunteers and information systems to help keep costs low.

Industry Indicators have moved to Current Conditions

Credit Underwriting and Risks



Industry Risk Rating:
Stable/Satisfactory

Business Exit Rates:	4.5	Comparable to US average for all businesses
Cyclical Sensitivity:	5.0	Moderate sensitivity
Barriers to Entry:	5.9	Minimal initial capital; minimal regulatory/technical barriers; low concentration
External Risk:	6.1	High external risk
Industry Outlook:	5.3	Comparable to GDP, some cyclical risk
Financial Summary:	6.0	Very low margins; high liquidity; low leverage

Key Metrics

METRIC	VALUE	COMPARISON
Performance During 2007–2009 Recession	2.5%	0.0% GDP
Business Exit Rate 2019–2020	8.42%	9.0% All Industries
Compound Annual Growth Forecast (2021–2026)	4.52%	5.50% GDP
SBA 7(a) Default Rate by Number of Loans (2010-2022)	2.02%	4.26% All Industries
SBA 7(a) Default Rate by Gross Loan Amount (2010-2022)	2.26%	1.36% All Industries

Underwriting Considerations

- Lines of Credit are common. What collateral would be used to support the line?
- How many members does the association have? How efficiently do members pay their dues and fees?
- How dependent is your Association on volunteers?
- How reliant is the Association on revenues outside of member dues and fees? Events, grants, donations?

Industry Risks

Vulnerability to Industry Conditions

Associations are dependent on the businesses and the professions they serve. Corporations typically reduce spending during tough economic times, and association activities are often seen as discretionary. As a result, organizations may experience decreased donations and sponsorships when industries are in distress. As companies cut costs, many eliminate participation in association-sponsored trade shows and conferences, particularly those that require travel. Companies also may drop memberships or scale back to lower levels.

Employment Affects Membership

High unemployment often causes association memberships to decline. Retaining members is extremely difficult when job security is uncertain. In some cases, associations alter dues structures to make membership more affordable. Ironically, demand for association services typically increases during difficult economic times, due to members who are seeking new employment, developing networks of potential employers, or expanding their skill set. However, declining memberships often leads to associations cutting back or eliminating programs due to lack of funds.

Competition for Services

Associations compete with private organizations and among themselves for a variety of revenue-generating services. Private corporations sponsor conventions, offer educational programs, perform research, and produce publications, just like associations do. Similar training or certification programs offered by multiple associations can cause confusion among members and diminish credibility. Competition for services has become especially problematic as associations rely more on non-dues programs for revenue.

Lobbying

Well-publicized incidents of misconduct and bribery have tarnished the practice of lobbying, leading to increased scrutiny and regulation of this activity. Lobbying is an important, although controversial and risky, service for associations, especially large organizations that represent highly regulated industries. Associations that endorse political candidates incur risk and can experience backlash if the candidate loses. As nonprofits, most associations are limited in how much they can spend on lobbying. Violations to federal lobbying laws can result in significant financial penalties.

Dependence on Volunteers

To keep costs low, many associations must rely on volunteers. Qualified volunteers can be hard to find and, because quitting does not involve loss of pay, they have more freedom to leave. Managing volunteers requires different skills, and keeping them challenged and satisfied requires ongoing effort. Board members of associations may be volunteers, and can be put in the awkward situation of managing, hiring, and firing paid staff.

Company Risks

Maintaining Membership

Membership dues typically account for a significant percentage of total revenue. Associations that lack a strong membership base struggle to maintain their cash flow and deliver value to their members. In addition, a smaller membership affects revenue from non-dues programs. Members are the primary participants in trade shows and meetings, and the main users of educational programs and publications. Without a critical mass of members, associations struggle to remain viable.

Retaining Key Staff

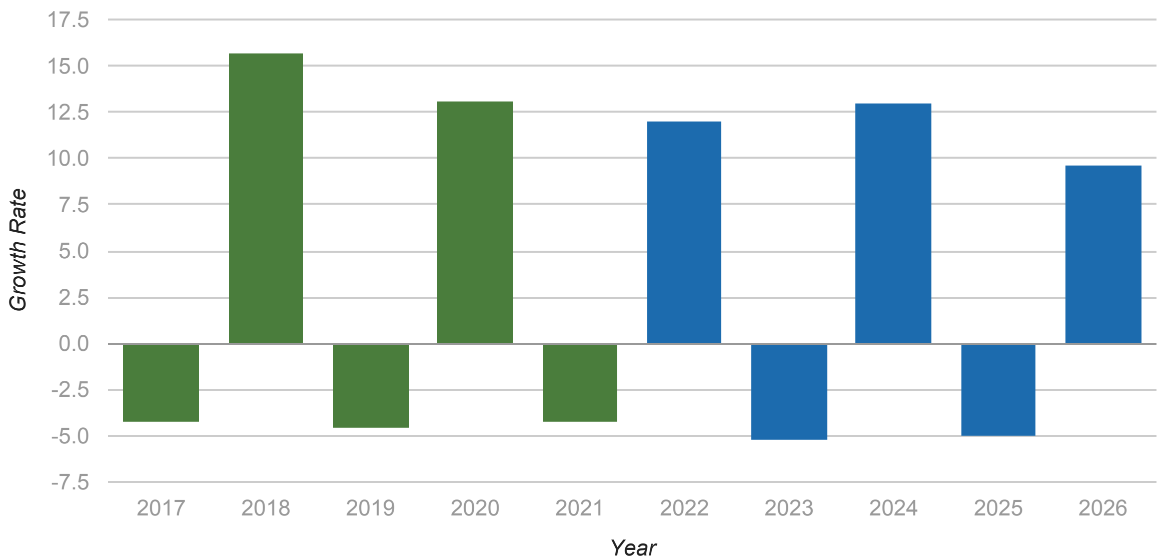
An association's staff typically develops critical in-depth industry knowledge over time, making turnover especially difficult. Replacing key staff can be complicated because most association employees earn less than comparable positions in the private sector. Like other organizations, associations are becoming more flexible and providing workers with more options and benefits to minimize turnover.

Industry Forecast

Sales for the US business and professional associations industry are forecast to grow at a 4.52% compounded annual rate from 2021 to 2026, slower than the growth of the overall economy.

Last Update: August 2022

Business & Professional Associations Industry Growth



Source: Interindustry Economic Research Fund, Inc.

Vertical IQ forecasts are based on the Inforum inter-industry economic model of the US economy. Inforum forecasts were prepared by the Interindustry Economic Research Fund, Inc.

Other Services Sector Forecast

The sector forecast discusses the outlook, trends, and data that contains this industry.

Forecast Outlook

Inflation-adjusted (2012$) GDP dropped 3.4% in 2020 before gaining 5.7% in 2021. GDP growth will diminish to about 2.3% in 2022 and just 1.6% in 2023. In the longer run, real GDP will expand in keeping with labor force and labor productivity growth; following improvement from the sluggish 2023 pace, growth will sustain about 2.0% annual expansion.

GDP and consumption price (PCE) inflation subsided to 1.2% in 2020. Prices accelerated in 2021, with levels rising rapidly at the end of the year; GDP inflation averaged 4.2% in 2021 and PCE inflation averaged 3.9%. Inflation continued to rise through the first half of 2022. Prices were boosted by aggressive fiscal and monetary policies in 2020 and 2021, with additional pressure caused by supply chain disruptions and war in Ukraine. If inflation eases in the second half of 2022, then GDP inflation may average 6.4% and PCE inflation about 6.1%. Inflation likely will diminish in coming years to satisfy the Federal Reserve target of 2.0%, though the pace of decline is uncertain. Many hope that higher global output and better freight transportation will ease shortages and reduce prices for goods in short supply. These are important factors, but much also depends on whether tighter monetary policy can control overall inflation without spurring recession.

Improving consumer confidence in the forecast period bodes well for the other services industries. Personal income increased in both 2020 and 2021, but real consumer spending dropped 3.8% in 2020 before recovering about 7.9% in 2021. While real income is expected to decline in 2022, spending will rise again but decelerate to about 2.4%. Household debt levels were relatively low at the beginning of 2020, and despite the collapse of employment, high transfer income, generally low prices, and limited opportunities to spend meant that household savings soared in 2020. If the pandemic and inflation can be controlled effectively in late-2022 and 2023 so that employment continues to rise, then households could continue to drive strong recovery in consumer services industries while maintaining spending on auto sales (though sales presently are constrained by production limitations), other goods, and residential investment. However, consumer sentiment currently stands at unusually low levels, and high inflation limits the growth of real expenditure even as nominal spending rises. Recovering real disposable income following decline in 2022, together with subsiding inflation and improving supplies of labor and materials, will support stronger growth in years ahead.

Whether broader recovery of service sectors will follow in years ahead remains uncertain. As COVID infection rates continue to subside, personal consumption spending for dry cleaning and laundry services should rise as people return to work and seek a wider array of entertainment and recreational activities. Many nonprofit organizations similarly will see greater activity, particularly those that serve the public by providing live art and entertainment services. Professional organizations will benefit from rising employment levels, with more individuals paying membership dues and attending in-person conferences.

While the United States seems past the peak of the Omicron wave, vigilance remains important. If a new variant or another public health emergency emerges and infection rates rise, leaders here and in other countries might impose new restrictions on individuals and businesses. Yet another significant reduction in business activity would lead to more job losses and economic hardship, particularly for those in hard-hit sectors. Prolonged unemployment causes lasting difficulties for those seeking to return to work, as seen after the Great Recession. This could slow the pace of recovery and lead to further struggle for many households. .

Recent Trends

Ten consecutive years of growth ended abruptly in 2020, as coronavirus spread worldwide. The pandemic took hold in the US in March, with a sharp economic slowdown hitting many industries in most states. Even with a severe contraction and subsequent periods of slowing over the next year and more, the economy proved resilient. Payroll employment fell 22.0 million between February 2020 and April 2020; by June 2022, losses diminished to 0.3 million jobs. The US economy contracted 3.4% in 2020 but expanded 5.7% in 2021; the net effect was a level of real GDP in Q4 2021 about 3.6% higher than in Q4 2019. By mid-year 2022, however, the economy slowed, with falling GDP over the past two quarters, high and rising inflation, and inverted yield curves. The economic data are noisy and signals are mixed; imminent recession is not certain, but the period of rapid recovery seems to have ended.

The Other Services sector includes a broad array of industries, including automotive repair, dry-cleaning, beauty salons, death care, and religious organizations, among others. Many of these serve households, though some also serve businesses. The sector includes a significant number of nonprofit organizations.

Consumer sentiment seemed high in spring 2021 as vaccinations dramatically curtailed the spread of COVID, but confidence declined sharply late in the year as infections began to surge and inflation crept higher. Federal aid bills passed in 2020 and March 2021 boosted income and supported strong consumer spending and residential investment. Inflation-adjusted Personal Consumption Expenditure (PCE) fell 3.8% overall in 2020, followed by a 7.9% gain in 2021. Real spending decelerated in the first half of 2022, rising 1.8% in Q1 (Seasonally-Adjusted Annual Rate) and 1.5% SAAR in Q2. Disruptions to household and business spending patterns had profound consequences for many service industries, and some were hit particularly hard by restrictions on activity. Consumer spending on laundry and dry-cleaning services, for example, fell about 25% between Q4 2019 and Q2 2020, and it remained down more than 12% in Q2 2022.

Reduced personal and business activity during the pandemic brought dramatic reduction in travel. Auto sales suffered severe decline in March and April 2020. As restrictions were relaxed, sales reached an annual rate of 18.3 million units in April 2021. Shortages of computer chips then weighed on production, and subsequent shortages of new vehicles reduced sales to 12.9 million SAAR in November 2021 and 13.0 SAAR in June 2022. Auto inventories dropped dramatically, and auto rental companies and others face serious difficulties with auto supply shortages. Rental rates and automobile prices soared. Similar shortages affect the broader market for transportation and other equipment, as well as for consumer goods. These constraints force many to maintain and repair vehicles that otherwise might have been replaced.

Activity at many nonprofit institutions that serve households dipped as the pandemic took hold, but overall real activity levels largely recovered by Q2 2022. These nonprofit institutions include health care, arts, recreation, education, social, religious, civic, grantmaking, and professional organizations. Receipts earned from sales of goods and services dropped by greater amounts, but these too largely recovered in 2021, though inflation-adjusted receipts dropped again in the first half of 2022. Within the sector, performance was mixed, with some suffering greater decline and recovering more slowly.

Macroeconomic Indicators

	History					Forecast				
	2017	2018	2019	2020	2021	*2022*	*2023*	*2024*	*2025*	*2026*
Nominal, Annual Growth Rates										
GDP	4.2	5.4	4.1	-2.2	10.1	*8.8*	*5.1*	*4.6*	*4.4*	*4.3*
Personal Consumption	4.3	5.1	3.7	-2.6	12.1	*8.6*	*5.1*	*4.5*	*4.3*	*4.3*
Nonresidential Fixed Investment	5.0	7.3	5.7	-4.7	9.1	*10.9*	*6.0*	*5.1*	*5.0*	*4.9*
Structures	6.9	5.7	6.2	-11.2	-2.8	*6.8*	*7.2*	*7.7*	*7.9*	*7.2*
Equipment	2.7	6.5	3.4	-8.7	13.4	*12.1*	*6.0*	*4.6*	*4.5*	*4.5*
Intellectual Property	6.5	9.3	8.2	4.2	11.1	*11.5*	*5.4*	*4.5*	*4.2*	*4.1*
Residential Investment	8.7	5.0	1.9	10.3	21.0	*0.3*	*6.0*	*5.7*	*4.3*	*3.6*
Exports	6.8	6.3	-0.5	-15.7	16.7	*15.7*	*4.5*	*4.4*	*6.4*	*5.7*
Imports	6.8	7.0	-0.4	-11.0	22.4	*18.3*	*4.1*	*4.1*	*4.6*	*4.7*
Government Consumption & Investment	2.9	5.1	4.0	3.9	5.0	*4.6*	*5.1*	*4.3*	*3.9*	*3.7*
Quantities, Annual Growth Rates										
GDP	2.3	2.9	2.3	-3.4	5.7	*2.3*	*1.6*	*2.4*	*2.3*	*2.3*
Personal Consumption	2.4	2.9	2.2	-3.8	7.9	*2.4*	*1.6*	*2.1*	*2.1*	*2.1*
Nonresidential Fixed Investment	4.1	6.4	4.3	-5.3	7.4	*5.3*	*2.2*	*3.5*	*3.6*	*3.5*
Structures	4.2	4.0	2.0	-12.5	-8.0	*-0.8*	*2.1*	*5.5*	*5.9*	*5.2*
Equipment	2.8	6.4	3.3	-8.3	13.1	*6.0*	*2.3*	*3.1*	*3.2*	*3.2*
Intellectual Property	5.7	8.1	7.2	2.8	10.0	*7.8*	*2.3*	*3.0*	*3.0*	*2.9*

	History					Forecast				
	2017	2018	2019	2020	2021	*2022*	*2023*	*2024*	*2025*	*2026*
Residential Investment	4.0	-0.6	-0.9	6.8	9.2	*-0.8*	*1.2*	*3.8*	*2.7*	*2.0*
Exports	4.1	2.8	-0.1	-13.6	4.5	*4.8*	*2.7*	*3.9*	*4.1*	*4.4*
Imports	4.4	4.1	1.2	-8.9	14.0	*9.1*	*0.6*	*1.9*	*2.5*	*2.6*
Government Consumption & Investment	0.5	1.4	2.2	2.5	0.5	*-0.8*	*1.1*	*1.3*	*1.1*	*0.9*
Prices, Annual Growth Rates										
GDP	1.9	2.4	1.8	1.2	4.2	*6.4*	*3.4*	*2.2*	*2.1*	*2.0*
Personal Consumption	1.8	2.1	1.5	1.2	3.9	*6.1*	*3.4*	*2.3*	*2.2*	*2.1*
Labor and Income										
Real Disposable Income Growth	2.8	3.4	2.3	6.2	2.2	*-4.9*	*2.3*	*3.7*	*3.0*	*2.2*
Employment Growth	1.2	1.7	1.2	-5.4	2.5	*4.0*	*1.2*	*0.6*	*0.4*	*0.3*
Unemployment Growth	4.4	3.9	3.7	8.1	5.4	*3.6*	*4.0*	*3.8*	*3.9*	*3.9*
Interest Rates										
Treasury Bills, 3-Month	0.9	1.9	2.1	0.4	0.0	*1.7*	*3.3*	*3.1*	*3.1*	*3.1*
Treasury Bonds, 10-Year	2.3	2.9	2.1	0.9	1.4	*2.8*	*3.4*	*3.5*	*3.6*	*3.7*

Sector Components

- Repair and Maintenance
- Personal and Laundry Services
- Religious, Grantmaking, Civic, Professional, and Similar Organizations
- Private Households

Forecast Drivers

- Disposable income
- Consumer spending
- Aggregate employment

The Inforum LIFT Model

LIFT (Long-term Interindustry Forecasting Tool) is an interindustry-macro (IM) model of the U.S. economy. The model incorporates annual economic and demographic data from government statistical agencies, and relationships among the data are employed to simulate and to project economic developments. It is useful for forecasting and for addressing questions that involve interactions between industries and the interplay between industry and the macro economy.

The LIFT model provides historical data and forecasts for:

- **Sectoral detail** (121 commodities, 71 industries, 83 consumption categories) - Output, employment, value added, personal consumption, residential and nonresidential investment, government expenditures, exports, imports, and more.
- **Macroeconomic variables** - GDP, net exports, inflation, population, unemployment rate, household income, and more.

LIFT employs a ”bottom-up” approach to macroeconomic modeling. This structure supports analysis of how changes in one industry, such as increased productivity or changing international trade patterns, affect related sectors and the aggregate quantities. In this way, the model works like the actual economy, building the macroeconomic totals from details of industry activity.

The model is well-suited to the exploration of policy questions or analysis where both industry and macroeconomic behavior are important. The model has been used to identify impacts of tax policies, tariffs and free trade agreements, carbon taxes or cap and trade programs, infrastructure improvements, electrification of the vehicle fleet, port closures and other disruptions, immigration, defense spending cuts, health care finance, deficit reduction, and many other scenarios.

Working Capital

Sell and invoice

Business and professional associations generate revenue primarily through membership fees and dues. Sources of non-dues revenue include events (seminars, conferences, trade shows), public and private contributions, investment income, training services, advertising, and sales of publications. Both private individuals and corporations may pay membership fees.

> 45% of membership organizations said they go to their accountant or bookkeeper for cash flow advice, while 19% turn to their banker, 4% turn to a colleague or industry partner, and 38% do not seek advice, according to a survey of small businesses by Barlow Research Associates.
>
> *Source: Barlow Research Associates.*

Collect

Most associations are nonprofit organizations and are exempt from taxes. Collection periods average from 29 to 36 days and receivables average 7-9% of assets. Payments from individuals are frequently made with credit and debit cards, particularly for online purchases of publications and event registrations.

Manage Cash

Gross margins average about 54-63% of sales. Cash flow can be irregular depending on an association's revenue mix and the frequency of dues collection. A single large event (such as a trade show), the sale of a major publication, or a membership drive can cause significant variability in cash flow. Reliance on a small number of donors for a large percentage of revenue can also put cash flow at risk. Most associations maintain reserves which can cover about half of their annual operating budget, although the percentage can vary. Small associations typically have small reserves and may experience more difficulty weathering difficult economic conditions.

Pay

Labor is a large expense and averages about 10-12% of sales. Many associations rely on part-time volunteers to supplement paid staff and keep costs low. Rent averages about 1-2% of sales.

Report

After-tax net profit averages 3-6% of sales. Associations typically track the costs of acquiring new members and retention rates for current members. They also track attendance at events and training classes, as well as sales of publications.

Cash Management Challenges

Managing Timing Of Receipts And Expenses

Business and professional organizations have uneven cash flow due to the timing of annual dues payments by members and fees collected for major events or programs. Dues collections may cluster at the end or beginning of the year, while outgoing payments for rent and salaries are spread evenly throughout the year. Expenses for major events, such as conferences or trade shows, may be incurred well in advance of collecting registration fees from attendees.

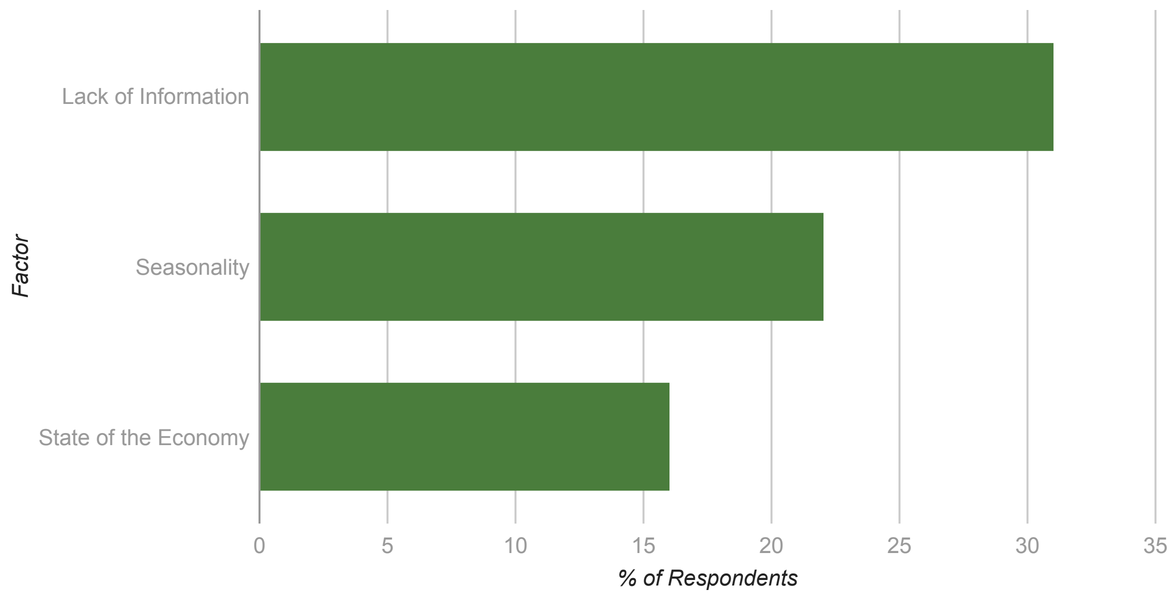
Funding Marketing Programs

Organizations invest in marketing programs to attract new members and increase participation in events and classes. Marketing to attract or retain members becomes more important when membership declines due to economic conditions, but lower dues income may make it difficult to fund marketing expenses without incurring cash shortfalls.

Efficiently Collecting Dues And Fees

Organizations offer a variety of payment methods for dues and program fees to encourage members to sign up and renew. Online payment via credit card or payment services, such as Paypal, is becoming the norm for most organizations, though they still receive checks and accept credit card payments via the phone. Organizations also need to be able to quickly process credit card payments for onsite registrations at events. Organizations must be able to provide appropriate receipts to members who are reimbursed by their companies or who deduct dues on their taxes.

Factors Causing Cash Flow Stress: Membership Organizations



Source: Barlow Research Associates

Capital Financing

Assets requiring financing include property, buildings, and information systems. Some business and professional associations use commercial lines of credit to supplement cash flow. Associations may rely on commercial loans for large projects, such as the construction of a new building. They often implement capital campaigns to raise funds for major initiatives, such as scholarships, research projects, public educational programs, or new technology. Donations may be restricted to a specific use.

Information systems help associations manage memberships and financial reporting. Software packages designed for associations may also support event management and education programs.

Examples of Equipment Purchases

Association Management System

$90 - 250 per month per user plus $2,000 - 7,000 start-up fee

Web-based software system automates membership management, financial reporting, event management, education and certification programs, fundraising, and marketing activities.

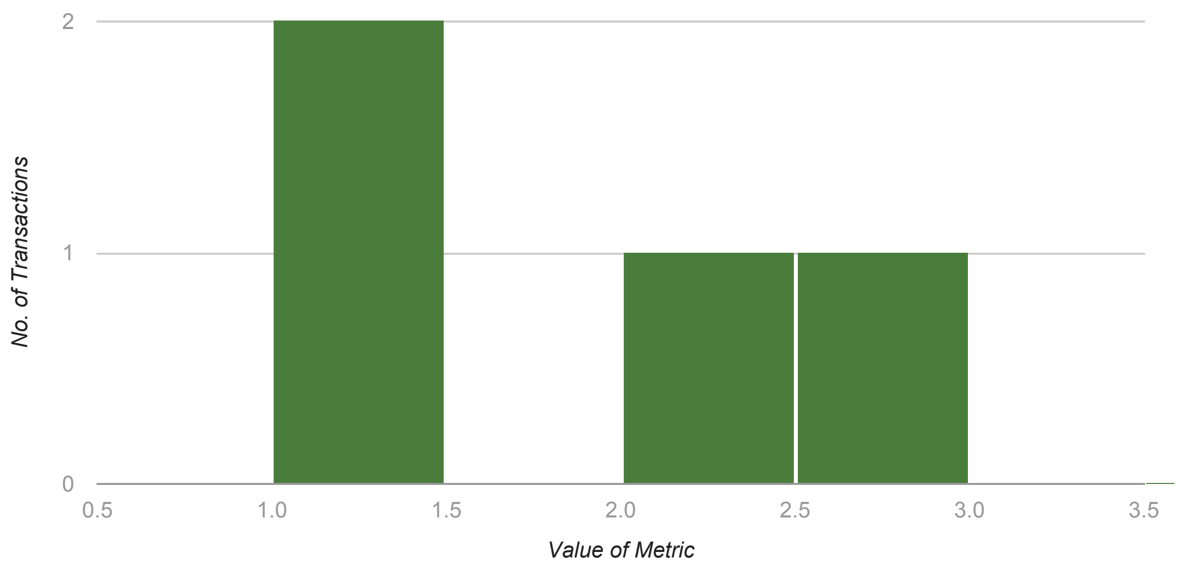
Business Valuation

This data on business valuations is supplied by DealStats, an online database with the most complete financial details on over 42,500 acquired companies. These companies are mostly small and medium-sized private firms.

Summary Valuation Data for Business & Professional Associations

	MEDIAN	MEAN	# TRANSACTIONS	DATES
Price to Net Sales	1.63	1.75	4	08/30/1996–10/01/2015
Price to Gross Profits	2.42	2.24	4	08/30/1996–10/01/2015
Price to EBITDA	11.33	11.33	2	08/30/1996–10/01/2015
Price to EBIT	3.58	8.08	3	08/30/1996 –10/01/2015

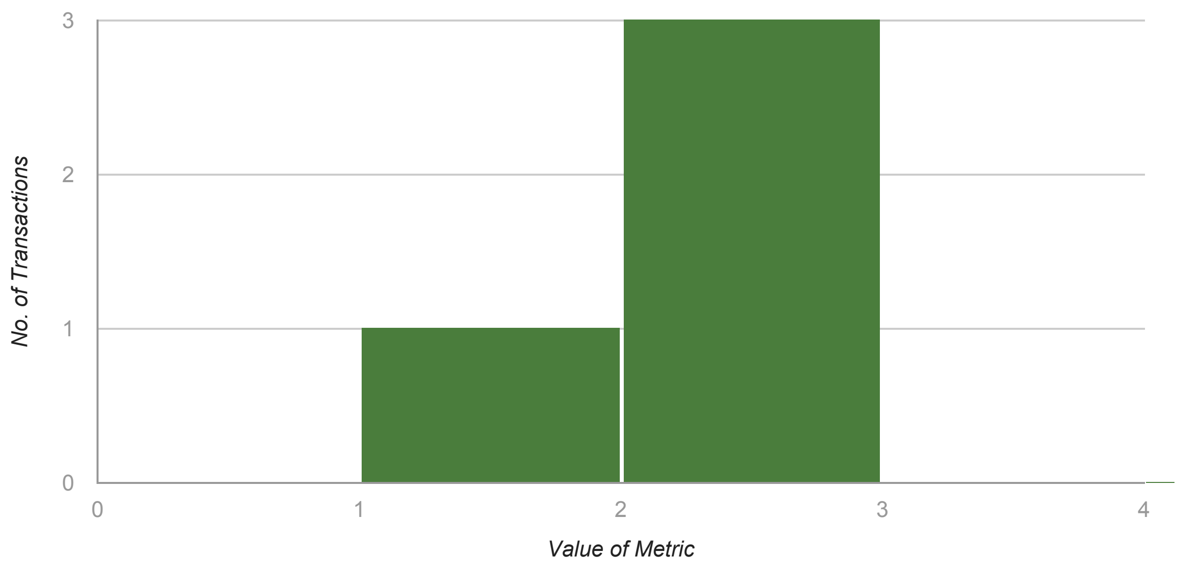
Click on the metric below to see a distribution of transactions for the industry:



Source: DealStats

Count: 4 **Min:** 1.14 **Max:** 2.58 **Mean:** 1.75 **Median:** 1.63

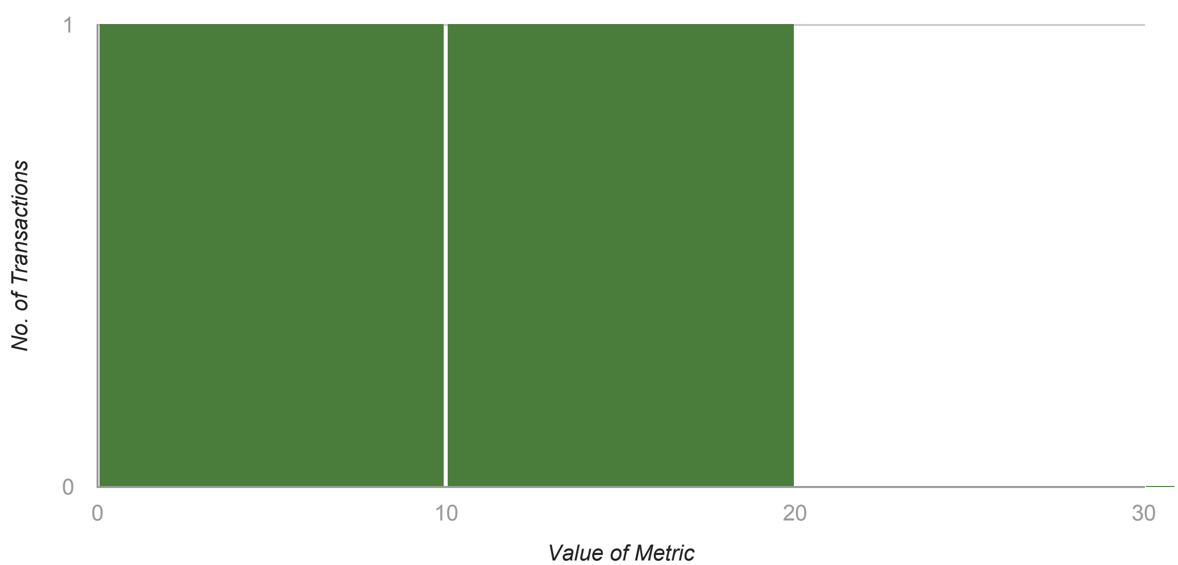
Price to Sales = Selling Price/Net Sales
Date range: 08/30/1996 - 10/01/2015



Source: DealStats

Count: 4 **Min:** 1.22 **Max:** 2.9 **Mean:** 2.24 **Median:** 2.42

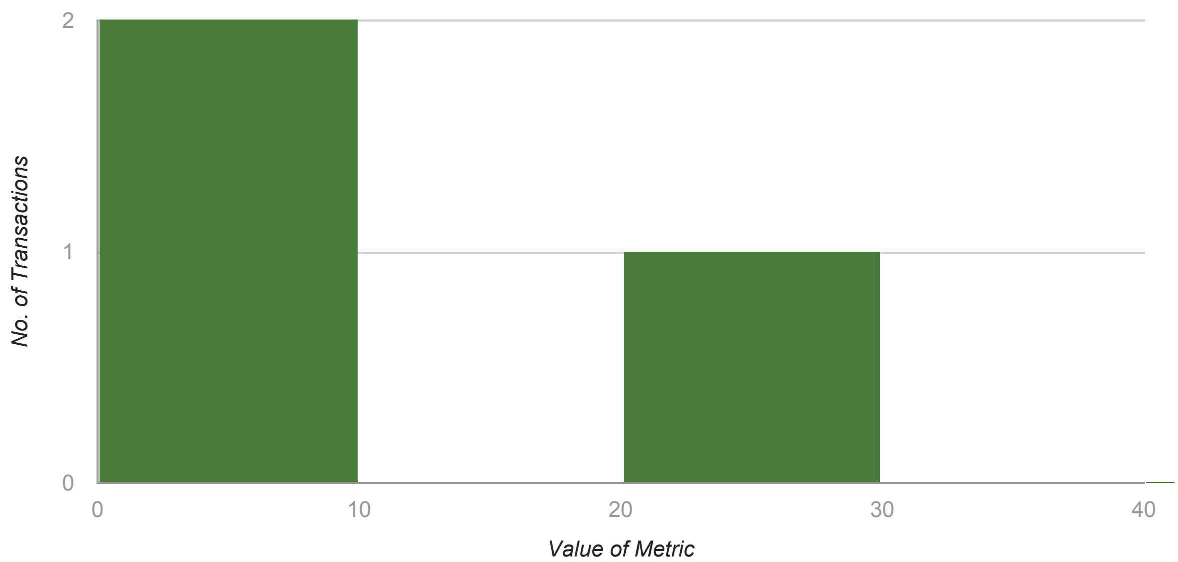
Price to Gross Profit = Selling Price/Gross Profit
Date range: 08/30/1996 - 10/01/2015



Source: DealStats

Count: 2 **Min:** 3.53 **Max:** 19.12 **Mean:** 11.33 **Median:** 11.33

Price to EBITDA = Selling Price/Operating Profit + Depreciation & Amortization
Date range: 08/30/1996 - 10/01/2015



Source: DealStats

Count: 3 **Min:** 0.0 **Max:** 25.21 **Mean:** 8.08 **Median:** 3.58

Price to EBIT = Selling Price/Operating Profit
Date range: 08/30/1996 - 10/01/2015

Selling Price, also known as MVIC (Market Value of Invested Capital) *is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer. The MVIC price includes the noncompete value and the assumption of interest-bearing liabilities and excludes (1) the real estate value and (2) any earnouts (because they have not yet been earned, and they may not be earned) and (3) the employment/consulting agreement values. In an Asset Sale, the assumption is that all or substantially all operating assets are transferred in the sale. In an Asset Sale, the MVIC may or may not include all current assets, non-current assets and current liabilities (liabilities are typically not transferred in an asset sale).*

Source: DealStats 2019 (Portland, OR; Business Valuation Resources LLC). Used with permission. DealStats is available at https://www.bvresources.com/learn/dealstats

Financial Benchmarks

The following financial benchmark data is based on annual financial statements submitted by member institutions of the Risk Management Association from Q2 of the first year listed through Q1 of the following year.

Financial Ratios (Business & Professional Associations, Industry-wide)

MEASURE	2018-19	2019-20	2020-21
Current Ratio	3.52	2.42	2.14
Quick Ratio	3.22	2.26	1.82
Days Inventory	0.0	0.0	0.0
Days Receivables	36	29	25
Days Payables	0.0	0.0	0.0
Pre-tax Return on Revenue	1.64%	11.29%	21.04%
Pre-tax Return on Assets	1.24%	9.43%	23.16%
Pre-tax Return on Net Worth	2.00%	17.27%	40.84%
Interest Coverage	10.13	27.03	58.55
Current Liabilities to Net Worth	.26	.39	.50
Long Term Liabilities to Net Worth	0.36	0.44	0.27
Total Liabilities to Net Worth	.62	.83	.76
Number of Firms Analyzed	*336*	*285*	*155*

Income Statement (Business & Professional Associations, Industry-wide)

ITEM	2018-19	2019-20	2020-21
Revenue	100.0%	100.0%	100.0%
Cost of Sales	0.0%	0.0%	0.0%
Gross Margin	100.0%	100.0%	100.0%
Officers Compensation	1.31%	2.05%	2.43%
Salaries-Wages	17.7%	17.95%	32.2%
Rent	1.85%	1.91%	10.67%
Taxes Paid	3.52%	3.44%	5.37%
Number of Firms Analyzed	*336*	*285*	*155*

ITEM	2018-19	2019-20	2020-21
Advertising	3.22%	3.32%	2.37%
Benefits-Pensions	2.63%	2.45%	2.56%
Repairs	14.44%	15.08%	2.84%
Bad Debt	0.42%	0.33%	0.25%
Other SG&A Expenses	47.13%	47.02%	29.79%
EBITDA	7.78%	6.45%	11.52%
Amortization-Depreciation	2.75%	2.57%	2.77%
Operating Expenses	94.97%	96.12%	91.25%
Operating Income	5.03%	3.88%	8.75%
Interest Expense	1.5%	1.44%	2.12%
Other Income	0.16%	-0.81%	-1.61%
Pre-tax Net Profit	3.37%	3.25%	8.25%
Income Tax	0.29%	-0.61%	0.02%
After Tax Net Profit	3.08%	3.86%	8.23%
Number of Firms Analyzed	*336*	*285*	*155*

Balance Sheet (Business & Professional Associations, Industry-wide)

ASSETS	2018-19	2019-20	2020-21
Cash	44.59%	46.19%	43.91%
Receivables	8.73%	7.84%	9.07%
Inventory	1.4%	0.99%	1.91%
Other Current Assets	4.28%	4.19%	3.83%
Total Current Assets	58.99%	59.23%	58.73%
Net Fixed Assets	20.32%	20.85%	21.83%
Net Intangible Assets	2.83%	1.69%	2.2%
Other Non-Current Assets	17.86%	18.23%	17.24%
Total Assets	*100.0%*	*100.0%*	*100.0%*

LIABILITIES

Accounts Payable	6.45%	6.4%	5.05%
Loans/Notes Payable	4.85%	3.78%	3.46%
Other Current Liabilities	14.22%	19.54%	18.95%
Total Current Liabilities	25.52%	29.71%	27.45%
Total Long Term Liabilities	19.78%	21.76%	25.08%
Total Liabilities	45.31%	51.48%	52.53%
Net Worth	54.69%	48.52%	47.47%
Total Liabilities & Net Worth	100.0%	100.0%	100.0%
Number of Firms Analyzed	*336*	*285*	*155*

Vertical IQ financial benchmark data is based on data provided by the Risk Management Association (RMA) and Powerlytics, Inc. RMA's Annual Statement Studies provide comparative industry financial benchmarks based on financial statements of small and medium business clients of RMA's member institutions. Additional detail on income statement line items is provided using Powerlytics financial benchmarks, which are based on reporting submitted to the IRS. Additional detail on these data sources can be found at RMA and Powerlytics.

Bank Product Usage

The following table provides the frequency of bank product usage by Business Associations, which includes Business & Professional Associations, with less than $10 million in annual revenue. It is provided by Barlow Research Associates, Inc., the premier market research firm in the financial services industry.

Top Bank Products Used by Business Associations

BANK PRODUCT	% OF FIRMS
Business checking account services	97.0
Automated clearing house services (ACH)	81.0
Business credit card issued in your company’s name (Visa, MasterCard, Amex, etc.)	73.0
Business savings or money market account	71.0
Point-of-sale credit card processing	71.0
Overdraft protection for business checking	68.0
Payroll processing	66.0
Wire transfer services	62.0
Business debit card or business check card	61.0
Company sponsored 401(k), SEP, pension or profit sharing plan	50.0
Remote deposit capture (scanning checks at your office or by mobile device for electronic deposit)	45.0
Equipment leasing	43.0
Account reconciliation processing (ARP)	39.0
Electronic payments initiated through the Internet (Bill Payment)	38.0
Money market mutual funds or short-term investments	35.0
Certificates of deposit	32.0
Accounts receivable collection (lockbox)	32.0
Unsecured short-term loans or working capital line of credit (less than one year)	26.0
Credit lines secured by receivables, inventory, property or other assets	22.0
Overnight investment or sweep accounts	21.0
SBA loans	19.0
International (foreign exchange, import/export letters of credit)	19.0
Term loans or equipment financing (one year +)	18.0

BANK PRODUCT	% OF FIRMS
Commercial real estate mortgage (company occupied building)	17.0
Commercial real estate mortgage	17.0
Commercial real estate mortgage (investment property)	17.0

Barlow's Small Business Banking program is a multi-client research program sponsored by leading banks. Each quarter, a stratified random sample of businesses throughout the United States with sales between $100,000 to $10 million compiled from an independent list provider are invited to participate in a comprehensive banking survey of over 100 questions. The results measure channel adoption, bank satisfaction, brand power, account management, service quality, business product usage and the selling abilities of leading providers. The results in this chapter are calculated directly from the business product usage section and represent usage for the average small business ($100K-<$10MM).

For more information on Barlow's banking research, go to http://www.barlowresearch.com/

Quarterly Insight

4th Quarter 2022

Business Travel Rebounds

Business and professional organizations are likely to benefit from a rebound in business travel. Lodging executives cited a long-awaited rebound in business travel that began after Labor Day, helping to boost results in September and October. Business and professional associations may see a rebound in revenue from seminars, conferences, and trade shows. The comeback has shown no signs of slowing as companies seek to reconnect with clients, executives said. “The recovery has been much, much steeper than anybody thought,” Hilton Worldwide Holdings CEO Chris Nassetta said.

3rd Quarter 2022

Recent SCOTUS Ruling may Impact Authority Of Many Federal Agencies

Many legal experts suggest that a recent Supreme Court ruling which substantially limited the authority of the Environmental Protection Agency (EPA) to regulate carbon emissions from power plants may result in litigation of pending Securities and Exchange Commission (SEC) rule changes that would require public companies to increase their disclosures relating to climate risk. The June 2022 West Virginia v. EPA ruling addressed the proper scope of executive agency rulemaking, so it may impact other regulatory agencies. The SEC’s proposed rules would require companies listed on US stock exchanges to disclose the greenhouse gas emissions that they directly and indirectly cause if the emissions are ”material” or included in a company-set emissions target.

2nd Quarter 2022

Labor Shortages Expected

Live corporate events are likely to face a labor shortage when they resume. Many event and service-industry support staff left their jobs during the pandemic. About 60% of event planners and suppliers have had difficulty finding adequate staff, according to a survey conducted by Meeting Professionals International. Event firm ASM Presents held a virtual job fair in mid-February to attract 1,000 new workers to staff 100 of its venues in the US, Europe, Latin America, and the Asia Pacific region. The company hopes to fill various positions in areas including operations, finance, food and beverage, human resources, sales, marketing, security, and guest services.

1st Quarter 2022

Planners, Service Providers Optimistic About 2022 Events

Event planners and suppliers are mostly optimistic about returning to in-person meetings in 2022, according to a survey conducted by Meeting Professionals International during the second half of December. About three-quarters of respondents said they expected good attendance at live events in 2022. About half of respondents said they would require event attendees to provide proof of vaccination, up from 41% who said they would do so in the fall 2021 survey. About 55% of those surveyed said they would require event staff and service providers to be vaccinated, up from 47% in the fall 2021 survey. The survey was conducted when new cases were rising rapidly amid the emergence of the Omicron variant.

4th Quarter 2021

Omicron Variant Renews Concerns About In-Person Events

In late November, scientists in South Africa identified a new coronavirus variant. The World Health Organization (WHO) assigned the Greek letter Omicron and designated it a "variant of concern." Medical experts say it will take time to learn more about Omicron's transmissibility, if it causes more severe illness than earlier variants, and if current vaccines and treatments are effective against it. Concerns about Omicron could slow the return of in-person business and trade events. The rapid spread of the Delta variant of the coronavirus during the summer led to some in-person events to being postponed. Some firms are worried that they could be found liable if they send employees to conventions that end up being super-spreader events, according to the American Hotel & Lodging Association (AHLA).

3rd Quarter 2021

Conferences to Remain Important Despite Cutbacks on Business Travel

The pandemic is expected to have long-term impacts on business travel. Digital work-arounds such as Zoom meetings have made some business people come to the conclusion that their pre-pandemic levels of travel were not worth the expense and time away from families. Fewer than 10% of companies say they have returned to pre-pandemic levels of travel, according to a survey by the Association of Certified Public Accountants. However, most travel cutbacks are expected to be for internal company meetings within an organization, according to The New York Times. Travel that enhances client relationships, including conferences and conventions, are projected to be less impacted as they are seen as critical to establishing and nurturing customer relationships and remaining competitive. Companies may also cut back on travel to internal meetings to help meet corporate environmental goals.

2nd Quarter 2021

EEOC Provides New Guidance for Employers

Business and professional organizations may provide their members with resources that help them develop policies based on updated government guidance for encouraging and/or requiring employees to be vaccinated. In late May 2021, the Equal Employment Opportunity Commission (EEOC) updated its guidance for employers as to when and under what circumstances they can require employees to be vaccinated for COVID-19 or offer incentives to employees who receive vaccines. Under the EEOC guidance, employers generally may require employees entering the workplace to be vaccinated unless the worker has a disability or sincerely-held religious belief that prevents them from getting vaccinated. In such cases, the employer must make "reasonable accommodations" that include wearing a mask, remote work, social distancing, periodic COVID-19 testing, working a modified shift, and/or accepting a reassignment. The EEOC notes it is unlawful under the Americans with Disabilities Act (ADA) to disclose that an employee has received a reasonable accommodation. Employers may also offer incentives for employees to become vaccinated. However, if vaccines are administered by the employer or its agent, incentives must not be "so substantial as to be coercive." There are no limits on incentives for employees who get vaccinated by third-party providers, such as a pharmacy, state-run vaccination center, or the employee's personal physician.

1st Quarter 2021

Vaccines Renew Hopes for In-Person Events

With more widespread availability of vaccines comes the potential of resuming in-person events. In March, the American Society of Association Executives (ASAE) announced its 2021 Annual Meeting & Exposition will be held virtually in August.

However, the virtual event will be supplemented by smaller, regional hub meetings that can be held in person safely. As of March 16, the 7-day average for new cases was about 55,000, about four times lower than they were in early January. Hospitalizations and deaths are also trending downward. As of March 16, all but eight states were mostly open, according to The New York Times.

Industry Terms

501(c)(3)

IRS code for a nonprofit organization.

ASAE

American Society of Association Executives.

Association Management Company (AMC)

Provides outsourced management services for associations.

Retention Rate

The percentage of members that renew their memberships.

Web Links

American Society of Association Executives (ASAE)
News, trends, and statistics from industry trade association.

Nonprofit Quarterly
News and trends for nonprofits, including associations.

Association Management Companies Institute
News and trends for association management companies from trade association.

Related Profiles

Civic & Social Organizations

NAICS: 813410 SIC: 8641, 8699

Niche Profiles

Chambers of Commerce

NAICS: 813910 SIC: 8611
