



The AMC Model and COVID-19 Challenges Facing AMC-Managed Nonprofits

Thousands of nonprofits across the country, including Internal Revenue Code Section 501(6), Section 501(c)(3), and Section 501(c)(4) nonprofits pursue their missions without W-2 employees. While some nonprofit associations do hire W-2 employees, rent or purchase office space, and undertake all other aspects of running a business themselves, many choose to engage an association management company (AMC) to operate their business. Operating a nonprofit entity brings many of the same business challenges facing for-profit entities, and, as such, thousands of nonprofits have chosen to engage AMCs to handle their operations.

The AMC model provides convenience and efficiencies that free up both valuable financial resources and boards of directors from daily operations, allowing them to maintain focus on their nonprofits' mission and strategy.

What AMCs Provide to Nonprofit Clients:

- For one flat monthly fee, AMCs provide:
 - Day-to-day staff (who are not W-2 employees of the nonprofit) performing the same functions that executive directors and staff perform for nonprofits with W-2 employees;
 - Office space, equipment and technologies; and
 - Negotiation of contracts with outside vendors on behalf of the nonprofit. Because AMCs have developed vast networks of insurance providers, printers, meeting venues and more, AMCs often realize savings which are then passed along to their association clients.

How are Nonprofits Uniquely Harmed by COVID-19?

- Cancelled revenue-generating conferences and events; and
- Reduced membership and dues resulting from members' economic hardship

The Issue:

- Because many nonprofits utilize AMCs for staffing and other necessary aspects of running any business, they do not have "payroll costs" as outlined in the CARES Act's Paycheck Protection Program, nor do they have employees as contemplated by the CARES Act's Economic Injury Disaster Loans and Emergency Economic Injury Grants. However, nonprofits that utilize AMCs face the same economic challenges due to the COVID-19 pandemic as those that do not. AMC-managed nonprofits without W-2 employees should not be afforded any less federal relief from the devastating impact of the COVID-19 outbreak simply because they do not have W-2 employees.
- Nonprofits serve a critical role in society, not only by pursuing their important missions, but also by supporting the industry through conferences and events, such as the hospitality, airline, and food services industries, all of which have been similarly harmed by this pandemic. If these nonprofits are not afforded desperately needed relief, they are at risk of shuttering their doors, which would not only derail their missions but would also adversely impact the broader economy already struggling to recover.