



The following is some background information on the Board finance item on the agenda regarding payment of interest on loans to the All Hazards Consortium.

Background:

Since 2008, the AHC has been a subgrantee to the District of Columbia's Homeland Security and Emergency Management Agency (HSEMA).

This agreement was put in place during the inaugural events for President Obama's first term to hire staff people quickly to support the emergency management agency and its operations center. Over the years, the scope of this agreement has consistently grown as the District has hired more people through the AHC, primarily because of our low overhead rate at 9% along with the efficiency of the AHC to find, obtain and procure high quality staff for the District. This agreement is guided by the FEMA rules and regulations and must be audited annually by an outside auditor for the AHC.

For example, in 2021 these staffing services provided under the agreement, represented almost \$3 million in revenue for AHC, of which the AHC received 9% as an overhead fee. This revenue stream provides stability to the AHC for core functions, and provides the District with quality candidates, as well as supports paying interns under the District's intern program, which now consists of about 15 interns.

The Challenge:

In 2022, the District changed its grants process, and converted these grants to reimbursement grants versus payments from the District to the AHC for these invoices before payment. This required the AHC to spend the money before it could apply for reimbursement. Along with this policy change, the reimbursement cycle was running 2 to 3 months in arrears, which forced the AHC to carry the financial burden for the District the whole time. As more people were engaged and projects undertaken, this represented both a significant revenue opportunity for the AHC, and a cash flow challenge. The AHC normally carries about \$300,000 in cash reserves, but in early 2023 that was quickly consumed when the District moved multiple new projects over to the AHC's account in late summer of 2022.

John Molnar provided a loan to the AHC to cover the financial line of credit, since the AHC did not have one for various business reasons. In late 2022, this became problematic when the District was running 60 to 90 days late on their payments. As a result, Tom Moran and John Molnar did not take their paychecks for several months in late 2022 in order to cover the line of credit that was needed to support the new business.

The AHC Board officers met with Molnar and Moran along with AHC legal counsel Tom Hyatt to discuss the issue and put together a plan to go forward. Part of that plan was to establish a line of credit with a bank. After multiple engagements with banks, this proved unsuccessful, based on increased bank scrutiny and banks not wanting to provide lines of credit to nonprofits, and the AHC's lack of substantial profits over the past two years.

Moran and Molnar reduced AHC costs on every front they could in order to weather the storm and work with the District in order to address these late payments. Molnar met with the District executives and explained the problem, which proved to be a turning point.



The Solution:

After meeting with Molnar, the District immediately decided to modify their policy and supported the changes below:

1. Allow the Consortium to invoice for projects before the expenses are incurred in high dollar requests.
2. Additionally, they expedited their payment process so that Consortium gets paid in two weeks after receipt of invoice, instead of 2 to 3 months.

These changes immediately began to reduce the AHC's outstanding debt of \$300,000 which should be repaid in the June/July 2023 timeframe.

Once the debt is cleared, Molnar has requested to be paid a reasonable rate of interest on the loans previously provided to the AHC. After discussions with Tom Hyatt, Molnar provided a detailed spreadsheet that outlines the loans and timelines provided to the AHC and the proposed interest expense for payment.

Line of Credit Details

Date Credit Provided	Date Payment Received	Credit Provided	Amount Outstanding	Assume 10% Interest APR for Line of Credit # days	Interest Amount Owed	Comment
3/14/2022	4/28/2023	\$ 100,000	0	410	\$11,232.88	
4/28/2023	5/31/2023	\$ 50,000	0	33	\$5,616.44	
3/22/2022	9/20/2022	\$ 50,000	0	182	\$452.05	
5/4/2022	9/2/2022	\$ 25,000	0	121	\$828.77	
5/31/2022	9/2/2022	\$ 20,000	0	94	\$515.07	
7/8/2022	9/6/2022	\$ 20,000	0	60	\$328.77	
7/20/2022	9/19/2022	\$ 25,000	0	61	\$417.81	
11/7/2022		\$ 100,000	\$ 100,000		\$6,438.36	assumed end of June
11/14/2022	3/6/2023	\$ 50,000	0	111	\$1,520.55	
11/19/2022	4/21/2023	\$ 20,000	0	153	\$838.36	
					\$28,189.04	