

**OFFICE OF THE MISSISSIPPI SECRETARY OF STATE  
CHARITIES DIVISION**

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<b>IN THE MATTER OF:</b>	)	
	)	
<b>Community Connections, Inc.</b>	)	<b>Administrative Proceeding</b>
<b>215 Mobile Street</b>	)	<b>Number: LC-16-1712</b>
<b>Hattiesburg, MS 39401</b>	)	
	)	
<i>Respondent</i>	)	

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**CONSENT ORDER**

The Charities Division of the Mississippi Secretary of State (“Division”), having the authority to administer and provide for the enforcement of all provisions of the Mississippi Charitable Solicitations Act (“Act”), and Community Connections, Inc. (“Respondent” or “CCI”) do hereby enter into this Consent Order in resolution of the following allegations by the Division of violations of certain provisions of the Act:

**I. FINDINGS OF FACT**

1. CCI is an entity that has been registered as a charitable organization with the Division since July 2006. It has been determined by the Internal Revenue Service to be a tax exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code.

2. The Division performed a desk examination of Respondent beginning in November of 2015, and the following concerns were raised regarding CCI’s maintenance of its books and records in violation of Rule 2.13 of the Mississippi Charities Act Rules.

- a. The Board minutes do not appear to be adequately maintained as there was a lack of detail and clarity. The minutes failed to detail the issues discussed, voted upon, and the final outcome; and
- b. Accounting statements and records do not appear to be adequately maintained. Specifically, there are no written contracts or agreements for loans taken from private individuals. Respondent lacks a formal written agreement for the following previous loans:

- i. One Hundred and Fifty Six Thousand Seven Hundred and Fifty Three Thousand Dollars and Ninety Four Cents (\$156,753.94) due to Dr. Rashad Ali;
  - ii. Twenty Two Thousand Five Hundred Twelve Dollars and Seventy Six Cents (\$22,512.76) due to Donna Ali, Executive Director; and
  - iii. Thirty Thousand Dollars (\$30,000.00) for lots used to build affordable housing transferred to Respondent by Dr. Rashad Ali.
3. The Division also determined that CCI submitted inaccurate or misleading information in violation of Miss. Code Ann. § 79-11-519(3)(d) by:
  - a. Inaccurately reporting program services and administrative expenses on both the Form 990-EZ and the Form FS for the 2014 reporting year by incorrectly reporting both as program services expenses.
  - b. Respondent has attempted previously to correct these issues, yet the following issues remain:
    - i. Line 32 of the 990-EZ reports a total of Ninety Nine Thousand One Hundred and Seventy Four Dollars (\$99,174.00) for program services expenses; however, these numbers are not accurately reported on the Form FS received by the Division on March 1, 2016. The Form FS reports an amount of Seventy Eight Thousand Five Hundred and Fifty Seven Dollars (\$78,557.00) for program service expenses;
    - ii. The Form FS reports administrative services in the amount of Twenty Thousand Six Hundred and Seventeen Dollars, an amount taken from Line 28 of the Form 990-EZ, a line designated for the counseling portion of Respondent's program services; and
    - iii. The Form FS submitted reports an amount of Seventy Eight Thousand Five Hundred and Fifty Seven Dollars (\$78,557.00) for joint costs for a combined

educational campaign and fundraising solicitation; however, Respondent reported an amount of Zero Dollars (\$0.00) for fundraising expenses.

4. CCI's board of directors failed to abide by the Act and the charity rules in the following ways in violation of Miss. Code Ann. § 79-11-525:

- a. Failure to maintain detailed and transparent Board minutes as listed in paragraph 2a above;
- b. Failure to provide oversight in ensuring the accurate maintenance of books and records as listed paragraph 2b above; and
- c. Failure to properly allocate the different categories of expenses correctly on the 2014 Form 990-EZ and Form FS as listed in paragraph 3 above.

## II. APPLICABLE LAW

1. Miss. Code Ann. § 79-11-509(4) sets forth:

**Administrative remedies and penalties for a violation of the Charitable Solicitations Act.**

(4) Whenever it appears to the Secretary of State that any person has engaged in or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order hereunder, he may, in his discretion, seek one or more of the following remedies in addition to other remedies authorized by law:

- (a) Issue a cease and desist order, with or without a prior hearing against the person or persons engaged in the prohibited activities, directing them to cease and desist from further illegal activity;
- (b) Administratively dissolve or seek the judicial dissolution of a domestic corporation that is a charitable organization, or revoke the certificate of authority of a foreign corporation that is a charitable organization; or
- (c) Issue an order imposing an administrative penalty up to a maximum of Twenty-five Thousand Dollars (\$25,000.00) for each offense, each violation to be considered as a separate offense in a single proceeding or a series of related proceedings;
- (d) For the purpose of determining the amount or extent of a sanction, if any, to be imposed under paragraph (b) or (c) of this subsection, the Secretary of State shall consider, among other factors, the frequency, persistence and willfulness of the conduct constituting a violation of this chapter or a rule promulgated thereunder or an order of the Secretary of State, the number of persons adversely affected by the conduct, and the resources of the person committing the violation.

2. Miss. Code Ann. § 79-11-519(3)(d) sets forth:

**Powers and duties of district attorneys and county prosecuting attorneys: violations of article.**

(3) It shall be a violation of Sections 79-11-501 through 79-11-529 for any person:

...

(d) To make any false or misleading statement on any document required by Sections 79-11-501 through 79-11-529 or any rule or order thereunder;

3. Miss. Code Ann. § 79-11-525 sets forth:

**Fiduciary duty of solicitors.**

Every person who solicits, collects or expends contributions on behalf of a charitable organization or for a charitable purpose, or who conducts a charitable sales promotion, and every officer, director, trustee or employee of that person who is concerned with the solicitation, collection or expenditure of those contributions shall be considered a fiduciary and as acting in a fiduciary capacity. This section does not supersede or otherwise alter the standard of care or the limitations on the liability of volunteers.

4. Mississippi Charities Act Rule 2.13 states:

**Books and Records.** Charitable organizations either registered with the Secretary of State or exempt from registration shall maintain accurate books and records of the solicitation activities of the organization for a period of at least three (3) years. Solicitation activities shall include all financial activities of the organization. The records shall be maintained at the offices of the charitable organization and shall be kept in an auditable format. By way of example such records shall include, but not be limited to, the following:

- (A) All check books, bank statements, cancelled checks and cash reconciliations of the organization;
  - (B) All bills, statements and receipts (or copies thereof), paid or unpaid, relating to the business and operation of the organization;
  - (C) Statements and records of all accounts in which the organization is vested;
  - (D) All written agreements (or copies thereof) entered into by the organization with any entity, person or otherwise relating to the business of the organization as such;
  - (E) General and auxiliary ledgers (or other comparable records) reflecting asset, liability, reserve, capital, income and expense accounts;
  - (F) Current minutes of the meetings of the organization's board of directors;
- and,
- (G) Copies of all solicitation materials.

### III. RESOLUTION

NOW, THEREFORE, it is hereby agreed as follows:

1. Respondent admits to the jurisdiction of the Division as to all matters herein under the authority of the Act.

2. The Division acknowledges that Respondent has been cooperative throughout the examination process and the Board of Directors has already begun making steps to cure several deficiencies cited in the examination.

3. Respondent agrees that it will henceforth accurately report books and records and all tax filings. All categories of revenue and expenses will be correctly allocated and accurately reflected on all required financial documentation.

4. Respondent will submit a correct and accurate Form 990-EZ, URS, and Form FS to the Division for the 2014 reporting year with accurate expense allocations upon execution of this Order.

5. Respondent agrees to maintain accurate and transparent Board minutes. The Board minutes will include, but will not be limited to, the following information:

- a. The type of meeting (regular/special, committee/board);
- b. The date, time, and location;
- c. A list of each person present and their position within the organization;
- d. A list of directors not in attendance or who arrived late;
- e. Who presided;
- f. Who kept the minutes;
- g. The specific issues discussed, including the names of presenters;
- h. A clear statement of any decisions made and any actions taken; and
- i. A note of any materials that were distributed and major points of discussion.

6. Respondent agrees that if the Board votes to alter the Bylaws, any such changes will be immediately documented in the form of an amendment to the Bylaws.

7. Respondent agrees to document each and every loan in writing in the form of a promissory note. The promissory note should include, but is not limited to the following information:

- a. An exact loan term;

- b. Interest rate;
- c. An exact amount of money loaned;
- d. Exact payment amount;
- e. Frequency of payments; and
- f. A signature from the lender and an authorized officer of the Board.

8. Respondent will complete a promissory note for each current outstanding loan and will submit this documentation to the Division upon execution of this Order.

9. Respondent will ensure that the Board remains active, independent, and free of self-dealing. To meet this standard, Respondent agrees to create a Board approved internal conflict of interest policy to be signed by each individual Board member.

10. Respondent will comply with all internal policies, regulations, and manuals as adopted by the Board.

11. Respondent will comply with all the provisions of the Act as currently in effect or as may be subsequently amended.

12. The Division shall impose an administrative penalty upon Respondent in the amount of One Thousand Five Hundred Dollars (\$1,500). Respondent shall remit payment to the Division, payable to "Mississippi Secretary of State," within sixty (60) days after execution of this Order.

13. Respondent acknowledges that it has read this Consent Order in its entirety and fully understands the rights, terms, and obligations contained herein.

14. Respondent is aware of its right to a hearing at which it may be represented by counsel, present evidence, and cross-examine witnesses. Respondent hereby irrevocably waives its right to such a hearing.

15. A willful failure to comply with any of the terms, conditions or obligations of this Order will result in Respondent being deemed to be in violation of a lawful order made pursuant to the Act and, therefore, subject to the penalties available under the Act.

16. This Consent Order contains the entire understanding between the parties. Furthermore, the parties herein represent that they have read each provision, understand each provision, and agree to each provision herein.

**V. OTHER MATTERS**

In the event that Respondent fails to comply with the provisions of this Order, the Division may, without notice to the Respondent, unilaterally rescind this Order and institute any legal or administrative proceedings it deems appropriate including, but not limited to, proceedings to address the matters set forth herein.

WHEREFORE, the undersigned hereby acknowledges and agrees to the terms and conditions of the foregoing Order by written consent.

THIS, the 28<sup>th</sup> day of April, 2016.

C. DELBERT HOSEMANN, JR.  
Secretary of State

By: Baylea B. Callicutt  
BAYLEA B. CALLICUTT  
Staff Attorney  
Charities Division

Date: April 28, 2016

The undersigned agent for Community Connections, Inc., acknowledges that he has been lawfully vested with the authority to enter into this Consent Order on behalf of the Respondent.

Community Connections, Inc.

By: [Signature]  
Title: BOARD CHAIRMAN

Date: 4-22-16

Baylea B. Callicutt, MSB #105063  
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