

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

IN THE MATTER OF:)	
)	
Hope Community Development Agency)	Administrative Proceeding
425 Division Street)	Number: LC-14-1184
Biloxi, Mississippi 39530)	
)	
<i>Respondent</i>)	

CONSENT AGREEMENT

The Charities Division of the Mississippi Secretary of State's Office ("Division"), having the authority to administer and to provide for the enforcement of all provisions of the Mississippi Charitable Solicitations Act ("Act"), and Respondent do hereby enter into this Consent Agreement in resolution of the following allegations by the Division of violations of certain provisions of the Act:

I. JURISDICTION

The Division has the power to regulate charitable solicitations under the Act codified at Miss. Code Ann. Section 79-11-501, *et. seq.* Respondent admit to the jurisdiction of the Division as to all matters contained herein under the authority of the Act.

II. FINDINGS

A. Respondent, Hope Community Development Agency ("HOPE") is currently registered with the Division. Its renewal registration is due by November 30, 2014. If the renewal registration is not received by November 30th, its registration will expire.

B. Initially, HOPE was the subject of a desk examination by the Division, commencing earlier this year. During the course of that examination, the following determinations were made:

1. HOPE failed to notify the Division of the changes in its Board of Directors as required by Miss. Code Ann. Section 79-11-503 (5). The Division acknowledges that HOPE has now updated its registration with a current list of Board of Directors.

2. HOPE allowed Gulf Coast Word and Worship, a nonprofit organization in which its executive director is the incorporator and registered agent, to use HOPE's facility rent-free on a regular and continuance basis. HOPE indicated that its practice is to allow individuals and organizations to use its conference room space for meetings. However, HOPE has failed after several requests to provide the Division with its written agreement and /or policy confirming this practice. In addition, HOPE has failed to provide the Division, after several requests, with board minutes adopting this policy/practice. This is a violation of Miss. Code Ann. Sections 79-11-519 (3)(i) and (3)(j).

3. HOPE failed to keep accurate books and records of all of its solicitation activities. HOPE did not keep adequate records of all costs and expenses charged to its grants, specifically the Fund for Gulf Communities grant. Upon several requests, HOPE was unable to produce detailed documentation justifying the expenses charged to this grant. The Division acknowledged that HOPE submitted a copy of the grant agreement which included a proposed allocation budget for the grant. However, no documentation was produced detailing the exact expenses paid with this grant's funds. Therefore, HOPE violated Miss. Code Ann. Section 79-11-518 and Rule 2.13 of the Mississippi Charities Act Rules.

4. In addition, HOPE indicated that another income source(s) was used to help fund the duties incurred under the Fund for Gulf Communities grant. While HOPE

indicated to the Division that it had expended all but approximately \$35,000 of this \$160,000 grant, a representative from this grantor informed the Division that HOPE had informed it a year earlier that all of the funds from this grant had been expended. This grant was one of several where HOPE made adjustments to the expenses each month. Reviewing these many adjustments, after acquiring the detailed entries, and trying to determine if they were consistent with accepted accounting standards for nonprofits prolonged the length of time of this examination. After a review, the Division concluded that none of the grant money was misspent.

5. Further, HOPE has failed to complete the Form FS, Annual Financial Report Form adequately for the 2012 fiscal year end. HOPE has placed all of its receipts and income in one lump sum and failed to list income separately for each project or source as required. HOPE also failed to categorize its expenses correctly. Any fundraising expenses should be correctly categorized as such on the form and not lumped into the program services or administration expenses. The Division acknowledges HOPE's cooperation in accounting for its income and expenditures as required. The Division also acknowledges there will be a difference between the Form FS and I.R.S. Form 990 submitted by HOPE for the years 2012 and 2013.

III. STIPULATIONS

NOW, THEREFORE, it is hereby agreed as follows:

- C. Respondent admits to the jurisdiction of the Division as to all matters herein.
- D. Respondent neither admits nor denies that its conduct was in violation of the Act.

E. Respondent consents to the payment of Five Hundred Dollars (\$500.00) to be paid upon the execution of this Consent Agreement. Payment shall be remitted to the "Mississippi Secretary of State" upon execution of this Agreement.

F. Respondent agrees to notify the Division of any change in its registration materials within thirty (30) days as required by law.

G. Respondent agrees to immediately adopt a written policy regarding individual and entities using its facility rent-free. The policy should be discussed, voted on, and approved by the Board of Directors. This policy should be clearly recorded in the board minutes.

H. The Division acknowledges that Respondent has represented that it has complied with the management letters accompanying its 2012 and 2013 audits which include tagging its inventory, keeping track of its fixed assets, and instituting a system for keeping up with its inventory.

I. Respondent agrees to undertake a comprehensive review of its system of categorizing expenses according to their functional classification and reporting of costs to grantors. This includes a review of the methodology used to allocate indirect costs to functional areas and to specific grants. Income and expenditures from each source should be kept separately in the records. All receipts and invoices should be recorded and documented.

J. Respondent agrees to amend the 2012 Annual Report Form to categorize each source of income and expense separately as listed on the form. Respondent agrees to continue this process with each future filing, beginning with the 2013 fiscal year end filing due November 30, 2014.

K. The Division acknowledges that Respondent has represented that it has only purchased and sold one real estate investment property from 2006 to present, despite the

amendment to HOPE's 2012 bylaws that were revised to add a Real Estate Committee whose responsibility was to view and approve properties for HOPE to bid on with an emphasis in foreclosures. Both the Division and Respondent are aware of the laws regarding UBIT (unrelated business income tax). Respondent agrees to accept full responsibility to report any income in the future to the State of Mississippi and to the Division that would be subject to UBIT.

L. A willful failure to comply with any of the terms, conditions or obligations of this Agreement 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.

M. Respondent is aware of its right to a hearing on the matters set forth in the Agreement, at which it may be represented by counsel, present evidence and cross-examine witnesses. Respondent hereby irrevocably waives its right to such a hearing.

N. The entry of this Agreement represents the settlement of regulatory claims by the Division against Respondent only and does not, in any way, restrict or affect the rights or causes of action, if any, of any individual or entity.

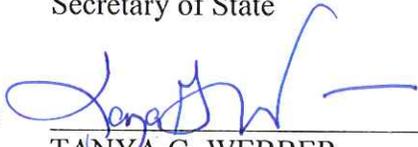
O. Respondent acknowledges that it has read this Consent Agreement in its entirety, and has been advised by its Counsel, and fully understands the rights, terms, and obligations contained therein.

IV. OTHER MATTERS

P. In the event that Respondent fails to comply with the provisions of this Agreement, the Division may, without notice to the Respondent, unilaterally rescind this Agreement 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 Agreement by written consent.

C. DELBERT HOSEMANN, JR.
Secretary of State

By: 
TANYA G. WEBBER
Assistant Secretary of State
Charities Division

Date: 12/2/2014

The undersigned agent for Hope Community Development Agency acknowledges that he/she has been lawfully vested with the authority to enter into this Consent Agreement on behalf of the Respondent.

HOPE COMMUNITY DEVELOPMENT AGENCY

By: 
Sign Name
William Stallworth
Print Name
EXECUTIVE DIRECTOR
Title

Date: 12.3.14