

Preliminary Expert Report of Tom Simon

In the Civil Matter of:

CHARLES STOVALL WEEMS, IV and KERRI WEEMS

Vs.

CELEBRATION CHURCH OF JACKSONVILLE, INC., et al

August 12, 2022

Simon 
Worldwide
Investigations



Introduction

The report below represents my analysis and opinions in the civil matter of Charles Stovall Weems IV and Kerri Weems vs. Celebration Church of Jacksonville, Inc., et al. It is based on my review of the Nelson Mullins Report of Investigation dated April 26, 2022 (herein “The Nelson Mullins Report”), interviews with Charles Stovall Weems IV (herein “Pastor Weems”) and Kerri Weems (herein “Mrs. Weems”), and review of pertinent documents.

My opinions expressed in this report are also based upon my training and experience as a Forensic Accountant and FBI Special Agent with a specialty in fraud matters. This report is being created as a critique of the Nelson Mullins Report and to serve as suggestions to the Weems Legal Team to rebut the most serious allegations contained therein. As such, this document is regarded as Attorney-Client Privileged materials in its entirety and should be disseminated only to members of the Weems Legal Team.

Qualifications

After earning an undergraduate degree in Accounting from Clemson University, I began my professional career in 1992 with the accounting firm of KPMG in the bank audit practice. I took and passed the exam to become a Certified Public Accountant in 1992 on my first attempt and was licensed in the State of Illinois while employed by KPMG. In 1994, I transferred to the firm’s forensic accounting business to conduct corporate fraud investigations for KPMG clients.

I left KPMG in August 1995 to begin my career as an FBI Special Agent. After graduating from the FBI Academy in Quantico, Virginia, I was assigned to the FBI’s Chicago division where I was placed on a squad investigating bank fraud matters, including suspicious bank loans and embezzlement schemes. I remained on the FBI’s bank fraud squad for six years where I consistently led the division in subjects charged and defendants convicted.

Following the 9/11 attacks, I was transferred to a squad investigating terrorist financing - specifically relating to Al Qaeda. In 2007, I returned to criminal investigations when I moved to a squad investigating political corruption.

I transferred to the Honolulu division of the FBI in 2009 and was assigned to a white collar crime squad investigating financial crimes, including embezzlements, bank fraud, and investment fraud. I was also the media spokesperson for the FBI where I gave press interviews and live presentations to local audiences regarding financial crime matters.

In 2016, I transferred to the FBI office in Jacksonville, Florida where I investigated financial crimes, political corruption, and terrorist financing. I ended my 26-year career as an FBI Special Agent on May 31, 2021 and formed a consulting company called Simon Worldwide Investigations LLC to provide corporate clients with fraud investigation and forensic accounting services. I am a Licensed Private Investigator in the State of Florida.

While serving the FBI, the vast majority of my financial crime cases were resolved with guilty pleas from the defendants. As such, my experience of testifying at trials is limited to five instances where I testified as a fact witness. However, I have testified over 70 times before federal grand juries and at various evidentiary hearings in the U.S. District Courts.

As a Licensed Private Investigator and Forensic Accountant, I was certified as an expert witness once in a civil case (*Navatek vs. Martin Lao*), where I testified in the binding arbitration regarding allegations of embezzlement, corporate mismanagement, financial malfeasance, illegal campaign contributions, and PPP loan fraud in 2021.

Scope of Engagement

I have been engaged to conduct interviews, review documents, and render an expert opinion on allegations of fraud and financial mismanagement contained in the Nelson Mullins Report.

On April 26, 2022, the Nelson Mullins Report was issued detailing allegations of waste, fraud, and abuse conducted by Pastor and Mrs. Weems during their tenure at Celebration Church, the ministry founded by Pastor and Mrs. Weems in 1998 and managed by them until their ouster in April 2022.

Soon after its release, the Nelson Mullins Report was posted on the Celebration Church website. The public release of the report, and the subsequent media coverage, purportedly caused Pastor and Mrs. Weems embarrassment and damaged their reputations in the community which, in turn, prompted a defamation lawsuit in the Circuit Court of the Fourth Judicial District in Duval County, Florida (Case No: 2022-CA-1047).

As part of the pending litigation, the Weems Legal Team engaged me to review the Nelson Mullins Report, conduct limited interviews, review pertinent documents, and render a preliminary expert opinion on the allegations detailed in the Nelson Mullins Report.

Documents Reviewed

As part of my analysis, I reviewed the following records provided to me by the Weems Legal Team:

- The Nelson Mullins Report of Investigation dated April 26, 2022 as posted on the Celebration Church website
- The Second Amended Complaint in the Civil Lawsuit 2022-CA-1047
- 2015 Amended and Restated Bylaws of Celebration Church
- Draft Founding Pastor Emeritus Transition Operating Agreement
- Pastor Weems 2020 IRS W2 and Earnings Summary from ADP
- Pastor Weems Compensation Resolution from December 2019
- 2020 Parsonage Use License Agreement
- December 31, 2020 Audited Financial Statements for Celebration Church
- 2021 Celebration Church Financial Schedule
- Paycheck Protection Program (PPP) Pandemic Oversight Data for Celebration Church

Nelson Mullins Report Review

The opening 12 pages of the Nelson Mullins Report are a series of *ad hominem* attacks, name-calling, critiques of Pastor Weems' management style, and attempts to ridicule his lived religious faith experience. Inasmuch as theology, enterprise leadership, and mental health diagnostics are not my areas of expertise, I am not qualified to render opinions on the stories in these sections. I have never been to Celebration Church, nor did I have any relationship or knowledge of Pastor and Mrs. Weems before this engagement.

However, as someone who has written hundreds of investigative reports, it is clear that the first 12 pages of the Nelson Mullins Report were written to embarrass Pastor and Mrs. Weems by cherry-picking stories curated to present the couple in the worst possible light imaginable.

There is greater substance and concern in the Nelson Mullins Report starting on Page 13 in the section titled “Improper Financial Transactions.” In this section, the report authors detail six specific instances of alleged waste, fraud, and abuse by Pastor Weems. As such, these allegations were the focus of this phase of my review with the allegations and analysis detailed below.

Allegation 1: The Parsonage at 16073 Shellcracker Road

Celebration Church bought a parsonage at 4504 Hunterson Lane on January 14, 2020 for \$1,295,000 as a residence for Pastor and Mrs. Weems. This home was sold on June 4, 2021 for \$1,475,000.

On February 9, 2021, Pastor Weems (dba Weems Group, LLC) purchased a home at 16073 Shellcracker Road for \$855,000 and re-sold it to the church for \$1,286,863 on June 26, 2021. The Nelson Mullins Report implies that this was a home-flipping scheme through which Pastor Weems embezzled \$431,386 from Celebration Church.

The report also alleges that Pastor Weems affirmatively lied to Celebration Church’s lender, Wesleyan Investment Foundation, by saying that the Celebration Church Board approved the purchase of the Shellcracker property when it hadn’t.

Analysis

In my interviews with Pastor Weems, he did not dispute the dates and amounts of the underlying transactions detailed above, so it was not necessary for me to review the home sale and purchase documents.

Regarding the Hunterson property, the Nelson Mullins Report glosses over the return-on-investment earned by Celebration Church when Pastor Weems made the choice to sell the property and relocate. The Church made a profit of \$180,000 on this transaction, a 14% return on investment in less than six months. It should be noted that the S&P 500 during the same period lost 5% in value. Intentionally or incidentally, the sale of the Hunterson property was a savvy financial move by Pastor Weems and a display of exemplary stewardship of Church funds.

Regarding the allegation that Pastor Weems profited approximately \$430,000 by flipping the Shellcracker property between its purchase in February 2021 and its sale to Celebration Church four months later, it is important to understand the terms of the 2019 Final Compensation Resolution, which states, in part:

RESOLVED that the Committee hereby conditionally approves a reduction in Pastor Weems' annual compensation equal to the annual costs of a future note and estimated Church expenses to acquire a parsonage that will be approved by Board of Trustees when that is acquired with the estimated total cost of a parsonage and improvements estimated to be \$1,300,000.00 plus closing costs (for the avoidance of doubt, Pastor Weems will also be able to have a parsonage allowance for his own expenses);

On or about December 18, 2019, the Celebration Church Compensation Committee approved a parsonage budget of \$1.3 million, not a specific street address to be purchased. The compensation committee included all three overseers, two members of the board of trustees, and the church CFO.

Pastor Weems acknowledges that there was no documented approval for the transfer of the parsonage from the Hunterson property to the Shellcracker property. This should have been completed by the CFO in conjunction with the Human Resources Director, but it was evidently never done, likely due to an administrative oversight.

However, it is important to note that the Board was not blindsided by this address change. I reviewed the near-final draft of the Founding Pastor Emeritus Agreement from December 7, 2021 which states, in part:

WHEREAS, the Board of Trustees desires to separately transfer under separate agreement the Celebration Church parsonage (a/k/a 16073 Shellcracker Road, Jacksonville, Florida 32226, the "Parsonage"), to Celebration Global, Inc., a Florida nonprofit organization whose Christian mission and purposes align with Celebration Church...

This firmly establishes that the Board recognized the Shellcracker property as the parsonage with no misgivings when this Agreement was discussed at its December 6, 2021 meeting. The Agreement was never ratified due to ongoing discussions of other provisions, but the parsonage was not a point of contention between the Board and Pastor Weems. The terms of the transfer from Weems Group LLC to Celebration Church were within the approved established budget for a parsonage.

The \$1.3 million total budget for the parsonage approved in 2019 was in excess of the purchase price of Shellcracker property allowing for approximately \$430,000 in renovations, upgrades and furnishings. It should be noted that, according to Zillow, the Shellcracker property was constructed in 1997, so it stands to reason that structural improvements would be necessary. However, there was no deadline to complete these improvements.

The Nelson Mullins Report also implies that Celebration Church's lender, Wesleyan Investment Foundation (WIF), was somehow defrauded by Pastor Weems relating to the purchase of the Shellcracker property. It's important to note that drawing upon the church's existing line of credit with WIF is not the same as obtaining a traditional mortgage for the property. The line of credit with WIF was increased to accommodate the approved \$1.3 million budget for the parsonage. This extension of the line of credit was done with the Board's approval.

As a religious lender, WIF fully understands that a parsonage arrangement funded by a line of credit is different from a normal home sale. Converting a personally-owned home into a parsonage titled to a church is a common transaction in the world of church financing and funding this transaction with existing lines of credit available to the church is not uncommon. WIF knew, or should have known, that funding a parsonage would include a reasonable amount for renovations and furnishings. Moreover, WIF previously approved the \$1.3 million extension in the line of credit for parsonage expenses.

Finally, the Nelson Mullins Report implies that there was something nefarious about Pastor Weems handling the Shellcracker real estate transaction without explicit permission of the Church's board. This is based on a fundamental misunderstanding of the role of the pastor and the plenary power entrusted with Pastor Weems in the church he founded. Pastor Weems had full and absolute authority to enter into financial transactions that he believed to be in the church's best interest. Moreover, Pastor Weems had absolute authority to transfer ownership of the Shellcracker property from Weems Group LLC to Celebration Church according to the board-approved 2019 compensation resolution. This authority included setting the budget for the home's furnishings and improvements within the established church budget approved by the Board.

This authority is clearly enumerated on Page 8 of the 2015 Amended and Restated Bylaws of Celebration Church:

Concurrently, the Senior Pastor shall serve as the President and Chief Executive Officer of the Corporation and shall have plenary authority over and shall be responsible for directing all of the day-to-day business activities and operations of the church.

Opinion

For the reasons cited in the analysis above, I believe that Pastor Weems was acting within the scope of his authority when he transferred ownership of the parsonage at 16073 Shellcracker Road from Weems Group, LLC to Celebration Church, and I disagree with the conclusions of the Nelson Mullins Report regarding this real estate transaction.

Allegation 2: The Second PPP Loan

According to the Nelson Mullins Report, Celebration Church applied for a second PPP loan in April 2021 that was eventually funded in the amount of \$1.1 million. The report is correct in its assertion of the rules that the PPP funds could only be used to maintain payroll. The report then details several subsequent expenditures directed by Pastor Weems, including:

- \$100,000 in TurnCoin on behalf of Celebration Church.
- \$856,033 transferred to Honey Lake Farms (HLF) Missions Account with \$150,000 used to buy TurnCoin for HLF and \$150,000 used to buy TurnCoin for AWKG.
- \$100,000 transferred to a church ministry in Nevada.

Analysis

Firstly, the Nelson Mullins Report states, “In total, \$500,000 of PPP loan proceeds were used to purchase Turncoin.” This appears to be either a computational error or an attempt to deliberately mislead the reader. Based on the numbers cited on Page 16 the Nelson Mullins Report, the total invested in TurnCoin by Celebration Church and related entities (HLF and AWKNG) is only \$400,000. If the Pastor of the Nevada ministry chose to invest \$100,000 in TurnCoin, this was out of the control of Pastor Weems. I will address the propriety of the TurnCoin investments below in the Allegation 3 section of this report.

During the height of the COVID-19 pandemic, Celebration Church was carrying \$8 million in annual payroll expenses and did not layoff employees.

The U.S. Government’s PPP Pandemic Oversight website confirmed that Celebration Church was approved for the second PPP loan in the amount of \$1,106,400 from First Citizens Bank on April 29, 2021. As such, it stands to reason that the loan was actually funded in the first days of May 2021.

I have not been provided the bank statements of the First Citizens Bank account of Celebration Church for the relevant time period to determine the bank balance before and after the PPP loan was funded, so I used other sources to determine the likely balance for the relevant time period.

According to a Celebration Church Financial Schedule, the April 2021 income to Celebration Church was \$1,540,148 and the total income for May 2021 was \$2,495,097. Presumably the May 2021 number included the \$1.1 million in PPP loan proceeds. As such, it stands to reason that the First Citizens Account balance before the loan funded (April 30, 2021 or thereabouts) exceeded \$1.1 million, a key fact that the Nelson Mullins Report fails to consider.

The PPP loan proceeds in the First Citizens Bank account were commingled with funds from other sources, mostly unrestricted donations from church members. “Tracing Funds” is a forensic accounting technique utilized to determine what happened to specific sources of money. If the PPP loan funds were placed into a segregated bank account with no commingling, it would be easy to trace them from one bank account to another and say with clarity whether the PPP loan proceeds were used for TurnCoin, HLF, or the Nevada ministry.

In this case, it is not possible to specifically identify funds in a bank account because dollars in the bank are fungible. Unrestricted donations from church members were mixed with PPP loan proceeds. In cases like these, forensic accountants use alternative tracing methodologies, such as the “Lowest Intermediate Balance Rule” or LIBR as the governing standard. LIBR has its roots in trust law, specifically in a court decision in *Thomas H. Dameron, et al v. Robert O. Tyler et al (155 F.3d 718)*.

LIBR assumes that the subject spends the existing balance (in this case, derived from the Church’s unrestricted operating income) before it spends the newly-acquired proceeds (in this case, derived from the PPP loan). This is a “First-in, First Out” approach to tracing funds. Only after the pre-existing unrestricted money is depleted does LIBR assume that the new PPP money is spent.

Using the LIBR method, as long as the balance in the Celebration Church account before the arrival of the PPP money exceeded the \$1,056,033 of “controversial” uses detailed in the Nelson Mullins Report, it cannot be said that Pastor Weems misused PPP loan proceeds.

Because the generally-accepted forensic accounting methodology (LIBR) establishes that the \$1,056,033 was derived from church donations and other unrestricted sources, the only question remaining is the propriety of the funds’ usage. The Nelson Mullins Report details the following breakdown of the \$1,056,033 spent by Celebration Church after the arrival of the PPP funds:

- \$400,000 in TurnCoin purchases. These are addressed in the Allegation 3 of this report.
- \$556,033 to Honey Lake Farms (HLF) Missions Account. The relationship between HLF and Celebration Church is the focus of Allegation 4 in this report. However, it is fair to say that HLF is a related-entity to Celebration Church that was funded by the Church until HLF could achieve solvency and financial independence. As such, there is nothing inappropriate about the Church funding HLF in this instance.

- \$100,000 to Celebration Church missions account to cover the transfer to a ministry in Nevada. The pastor of this church also chose to invest this \$100,000 in TurnCoin, but he did this of his own free will. The funds were not restricted in any way by Pastor Weems.

If the controversial expenditures outlined above were made before the funding of the PPP loan into the Celebration Church bank account, there would be no question that the expenditures were funded from unrestricted Church money and a LIBR analysis would be unnecessary. +

Opinion

Based on the established LIBR tracing-of-funds methodology used in forensic accounting, it appears no PPP funds were used for any of the controversial uses outlined in the Nelson Mullins Report. This is assuming the balance in the Celebration Church account at First Citizens Bank had a balance of at least \$1,056,033 before the deposit of the PPP loan proceeds.

Attorneys for Pastor and Mrs. Weems should subpoena First Citizens Bank for account statements, so this can be more firmly established. Until then, my opinion on this matter is contingent on the assumption of the account balance.

Allegation 3: TurnCoin

The Nelson Mullins Report stated that Pastor Weems improperly invested \$500,000 of Church funds derived from debt into a risky investment in a digital security called TurnCoin without Celebration Church Board approval.

Analysis

In the early May 2021, Celebration Church received \$1.1 million in PPP loan funds that were commingled with cash derived from unrestricted church donations. Cash-on-hand balances were not available for my review, but internal Church financial schedules were. The gross cash income for the Church for these three months is instructive:

April 2021:	\$1,540,148
May 2021:	\$ 2,495,097
June 2021:	\$ 1,195,810

The spike in gross income for the month of May 2021 is undoubtedly attributable to the PPP loan proceeds, and this windfall meant that the Church was suddenly flush with cash. Rather than

leaving the cash to sit in a non-interest-bearing account, Pastor Weems made an executive decision to invest the excess money and put the cash to work for the church. Pastor Weems saw this as good stewardship of church assets. Specifically, he decided to invest in a digital security called TurnCoin.

\$300,000 in Celebration Church excess funds were transferred to HLF and AWKG for investments in TurnCoin. Both of these ministries are separately incorporated with their own Boards in place although they functioned as closely-related entities to Celebration Church. The decision to invest in TurnCoin on behalf of HLF and AWKG was discussed informally with the Boards of both ministries in conversations with Pastor Weems. Both sets of Boards were enthusiastic about the idea of having TurnCoin investments among their assets.

The Nelson Mullins report is correct that Pastor Weems did not seek permission from the Celebration Church Board to make the \$100,000 investment in TurnCoin on behalf of the Church. The Report neglects to mention that he was not required to do so. As stated earlier, Pastor Weems had plenary authority to direct the business activities of the church, including investment decisions, as enumerated in the Church's by-laws. He was under no obligation to seek permission to invest excess cash-on-hand. Members of the Celebration Church Board were made aware of the TurnCoin investments after the investments occurred, and there were no objections until the Nelson Mullins report was issued.

Either deliberately or through a lack of understanding, the Nelson Mullins Report mischaracterized the nature of the \$100,000 donation to the revival ministry of Pastor Benny Perez in Nevada. By way of background, "Heart for the House" was Celebration Church's annual missions offering. The proceeds were disbursed to ministries where Pastor and Mrs. Weems felt the money could be put to the best use. In previous years, \$250,000 from this offering was sent to One Hope Ministries for the development of a Smartphone Bible App for kids. In 2021, the decision was made to send \$100,000 to Pastor Benny's revival ministry in Nevada. The Nelson Mullins Report states that Pastor Weems told the Celebration Church congregation that the donations would go to "a revival," but Pastor Weems recalls that he told the congregation the money would be going to "a revival ministry" – an important distinction.

In any case, the purpose of the donation was to help Pastor Benny's revival ministry, and Pastor Benny evidently chose to invest the donated funds in TurnCoin. Pastor Weems denies the implication in the Nelson Mullins Report that he bullied or cajoled Pastor Benny into making this investment. The donation to his ministry had no strings attached, and Pastor Benny was free to make whatever business decisions he chose to grow his ministry with his own plenary authority.

The Nelson Mullins Report said that Pastor Weems instructed his Human Resources Director to mischaracterize the Church's TurnCoin investment as a cash equivalent on the Church's Balance Sheet. The Report infers that this "fundamental mischaracterization of the asset" was an attempt to mislead or hide the TurnCoin investment from others. I have interviewed Pastor Weems extensively for this case, and he is a man of many gifts. However, financial accounting is not one of them. For that reason, Celebration Church employed a Chief Financial Officer (CFO) to compile accurate accounting records and a CPA firm to audit them. Cryptocurrency and Crypto-securities are new asset classes with emerging recognition rules for financial accountants, so Pastor Weems should be excused for failing to understand the proper way to recognize TurnCoin among the Church's assets in the General Ledger.

The Nelson Mullins Report is correct that TurnCoin is illiquid, so Celebration Church will need to be patient to find out if this investment was a savvy decision by Pastor Weems. However, it's worth noting the intent behind this investment. Pastor Weems invested \$100,000 of the Church's money in TurnCoin to establish a retirement fund for senior Church staff members who were instrumental in growing the Church from the early days along with Pastor Weems. These senior Church staffers were enthusiastic about the TurnCoin investment and the prospect of having a retirement fund in place. The Church's TurnCoin investments were never intended to enrich Pastor or Mrs. Weems personally. They believed, and still believe, in the upside potential of TurnCoin as an investment vehicle.

Opinion

Whether TurnCoin is or isn't a good investment shouldn't be at issue in this case. Based on the analysis above, it is clear that Pastor Weems acted in good faith when he made the investments in TurnCoin and his plenary authority gave him the right to do so. There was no shortage of staff and board members at Celebration Church, HLF, and AWKNG who were aware of this investment. It was not done with secrecy in the dark of night. The church simply had an excess of cash-on-hand following the PPP loan, and Pastor Weems decided to put that money to work in an investment vehicle with no regard to his own personal enrichment.

The Nelson Mullins Report went to great pains to cast TurnCoin as a risky investment vehicle, and this may be true. All investments pose a certain amount of risk, and the riskier investments tend to have a bigger upside potential. On May 4, 2021, Netflix was regarded as a blue-chip stock trading at \$503 per share. No one would have ridiculed Pastor Stovall had he made the decision to place the excess cash into Netflix stock, a safe and conventional investment. By April 26, 2022 (the date of the Nelson Mullins Report), Netflix was trading at \$198 per share, down 60%. Some investments make money and others lose money. It's difficult to predict the future. Time will tell if TurnCoin was a good or bad investment.

Allegation 4: Fraudulent Mischaracterization and Cancellation of Honey Lake Farms Debt

The Nelson Mullins Report stated that Pastor Weems mischaracterized a \$1.4 million loan from Celebration Church to HLF on a bank loan application and later ordered his accounting staff to delete the liability from HLF's books altogether in an act of fraudulent manipulation of HLF's financial statements and unauthorized debt forgiveness.

Analysis

The original build-out of HLF was funded through missions-giving by Celebration Church congregants. Next door to HLF is another related entity, a behavioral health facility called Honey Lake Clinic (HLC) that treated patients and generated revenue from health insurance. The HLC by-laws stated that one-third of clinic profits would go back to Celebration Church with the sincere hope that this amount could reach \$100,000 per month over time. The monthly payments were to be transferred from HLC to Celebration Church to fund HLF, which had no organic revenue stream. As a way to recognize and memorialize this financial transfer from HLC, a decision was made to characterize this monthly payment as a "loan" from Celebration Church that would be paid by HLC. This was recognized internally as an account receivable asset by Celebration Church and an account payable liability for HLF. However, this "debt" was being paid down by a third related-party, HLC. It should also be noted that HLC never realized its goal of producing enough profits to make these \$100,000 monthly payments to the Church,

The daisy-chain of receivables and payables between these three related-entities created an administrative burden for Celebration Church's accounting staff and Church management. Pastor Weems devised a plan to solve this problem. Rather than having HLC paying down HLF's "debt" to Celebration Church, it was thought to be cleaner to have the receivable rest with HLF and the payable with HLC. Moreover, Pastor Weems was uncomfortable having the external business of HLC directly financially embedded into Celebration Church's finances. The solution was to remove Celebration Church from the equation altogether and more accurately reflect the direction of the \$100,000 monthly payment from HLC to HLF.

Ultimately, it did not matter where the receivable and payable were housed because Celebration Church, HLF, and HLC are related entities with overlapping managers and financial interests. All of these entities were cross-collateralized with loans from WIF. HLF and HLC functioned as wholly-owned subsidiaries of Celebration Church, regardless of how they were incorporated in Florida.

Generally-Accepted Accounting Principles (GAAP) are very specific about the treatment of receivables and payables among related parties and subsidiaries. The proper treatment in

consolidating financial statements is known as Intercompany Eliminations (ICE). These are reversals of the receivables and payables made to remove the profit/loss arising from intercompany transactions. No intercompany receivables, payables, investments, capital, revenue, cost of sales, or profits and losses are recognised in consolidated financial statements until they are realized through a transaction with an unrelated party.

In other words, from a consolidated financial statement perspective, one's left pocket cannot owe money to one's right pocket. The upshot is that it really didn't matter how Pastor Weems accounted for the "debt" between these related parties because it wasn't real debt that would have resulted in the foreclosure of HLF by Celebration Church in the event of default. The Nelson Mullins Report's characterization of this as "debt elimination" misses the point entirely.

Shifting the receivable to HLF and the payable to HLC more accurately captured the flow of money between the related parties. From a consolidated financial statement perspective, the "debt" initially held by Celebration Church should not have been regarded as a note receivable at all.

Opinion

For reasons cited above, it does not appear that the shifting of the receivable from Celebration Church to HLF and the shifting of the payable from HLF to HLC was done to defraud anyone. Inasmuch as these are all related parties, the receivables and payables should have been eliminated altogether in financial statements. In any case, Pastor Weems is not a financial accountant. Celebration Church employed a CFO, who should have managed the recognition of assets and liabilities as well as the elimination of related-party transactions in financial statements in accordance with generally-accepted accounting principles.

Allegation 5: Misappropriation of Designated Funds

The Nelson Mullins Report accused Pastor Weems of misappropriating \$29,487 in donations to AWKNG for missions trips and using the money for HLF operations.

Analysis

This accusation relies on the misconception that AWKNG and HLF are two entirely different entities without any overlapping or common missions.

AWKNG was a bible school and faith-based television production entity. HLF was the venue where AWKNG's missions often took place. HLF's only stream of income was the \$100,000 per month it received as internal debt payments coming from HLC. During this time, HLC's business

was underperforming, and the clinic was unable to make full payments to the farm. This created a small financial crisis because of the extensive fixed costs to keep HLF up-and-running.

Meanwhile, AWKNG conducted a successful fundraiser for missions trips. Inasmuch as HLF was the preferred venue for AWKNG's ministry, it made sense for AWKNG to assist HLF in remaining solvent. As closely-related entities, the success of AWKNG and HLF were intrinsically intertwined. This also coincided with Celebration Church cutting off its financial support of AWKNG, further exacerbating this unfortunate situation.

In my interviews with Pastor Weems, he stated that this emergency shift of resources from AWKNG to HLF was a temporary fix, and he intended to fulfill the missions obligations at AWKNG as soon as HLC's business increased and HLF's solvency could be restored.

Unfortunately, all this transpired in early 2022, and Pastor Weems was ousted from his position as Celebration Church's leader before he could direct the repayment of the funds from HLF to AWKNG.

Opinion

Pastor Weems carried the burden of maintaining the solvency of Celebration Church, HLF, HLC, and AWKNG at a time of tightening resources and decreasing cash flow. The continued success of the AWKNG ministry relied upon the continued operations of HLF as a primary venue for the ministry. As such, it was reasonable for Pastor Weems to orchestrate a temporary shifting of resources from AWKNG to HLF. Sometimes leadership involves making difficult decisions and marshaling resources where they can best be used during difficult times. The Nelson Mullins Report subheading "Misappropriation of Designated Funds" raised the specter of an embezzlement scheme, but it should be noted that there is zero evidence that Pastor Weems personally benefited from this difficult management decision.

Allegation 6: BBVA/PNC Bank Termination of Access to Credit Lines

The Nelson Mullins Report stated that Pastor Weems directed the Celebration Church CFO to move the Church's bank accounts which impacted the credit limits on the related credit cards and negative operational results.

Analysis

During my interviews with Pastor Weems, he explained that he learned of an alleged embezzlement and false-billing scheme conducted by a Church Trustee who also served as building contractor at HLF. The bank accounts were moved to safeguard the assets of the

Church. As of the date of this report, I have not investigated this alleged embezzlement and have no opinion of the validity of this allegation other than to say that Pastor Weems appears sincere in his belief that it occurred.

The Nelson Mullins Report is correct that moving the bank account had the unintended impact of reducing the credit limits of outstanding church credit cards. However, this was a temporary problem that could have been remedied shortly thereafter by negotiating new credit cards with a new bank. It was also a problem that should have been anticipated by the Celebration Church CFO.

Finally, the plenary authority granted to Pastor Weems gave him full authority to change banks for the purpose of protecting Church assets upon discovery of an apparent embezzlement scheme.

Opinion

The Nelson Mullins Report describes Pastor Weems' decision to move bank accounts as "hasty." However, in my experience as a financial crimes investigator, swift action to "lock down" the assets of the organization in the face of a fraud is often necessary to mitigate the damage until a full investigation can be conducted. Inasmuch as the suspected embezzler was a Church Trustee, Pastor Weems was wise to take this action himself using his plenary authority rather than seeking Board permission first. In these situations, it's difficult to know who one can trust.

Conclusions

The Nelson Mullins Report's conclusion states, "...Stovall Weems violated the law by breaching his fiduciary duties to Celebration, committing fraud, unjustly enriching himself at the expense of the Church, and failing to meet the fiduciary duties and standards of care required by the office." This is an example of how damaging an investigative report can be without proper context.

However, in the real world, there is context. It is almost as if the authors of the Nelson Mullins Report deliberately set out to ignore all the relevant factors surrounding their six "Improper Financial Transactions." This appears to be an attempt to make Pastor Weems look as bad as possible in managing the church he founded with the Board he established.

This is why it is instructive in any internal investigation to understand the motives of the subject. A subject interview is valuable to understanding the decisions made in real-time without the benefit of hindsight. Pastor and Mrs Weems made repeated requests to be interviewed by the

authors of the Nelson Mullins Report, but the authors declined or neglected to schedule a meeting with the Pastor and his wife.

To be clear, Pastor Weems made decisions that I believe were unwise. For example, I am highly-skeptical of TurnCoin as an investment vehicle. Time will tell if it was a good investment or not, but I believe that he acted in good faith and in the best interest of Celebration Church (and related entities) in each of the “Improper Financial Transactions” detailed in the Nelson Mullins Report.

In conclusion, I do not believe the evidence supports the assertion that Pastor Weems breached his fiduciary duties to Celebration Church, committed fraud, unjustly enriched himself at the expense of the Church, or failed to meet the fiduciary duties and standards of care required by the office.

Compensation Disclosure

To review materials, interview subjects and prepare this report, I have been compensated \$4,000 to date.

Tom Simon

Tom Simon

August 12, 2022

Date