Survey of Accounting, Auditing, and Governance Practices of Non-Profit Organizations in South Carolina: A Research Service Learning Project

KAREN A. MAGUIRE

Abstract
Not-for-profit organizations in South Carolina currently face a number of issues concerning corporate governance, accounting, and auditing practices. In a Research Service Learning project, the graduate Advanced Auditing class at Coastal Carolina University conducted a survey in conjunction with the Waccamaw Community Foundation, the Chapin Foundation, and the South Carolina Association of Non-Profit Organizations. The purpose of the survey was to gauge the overall knowledge of corporate governance, accounting, and auditing policies and to determine what, if any, practices and programs these organizations currently have in place. Students gathered and evaluated the information provided anonymously by the participating Non-Profit Organizations (NPOs). Results were then compared to existing research of NPOs from across the United States when available. The goal in compiling this data was to determine areas for improvement that will possibly lead to better and more efficient accounting and stewardship practices in the future. By addressing the topics in the survey, the information can be used as a resource to help NPOs in South Carolina.

INTRODUCTION
Dr. Maguire’s Advanced Auditing Class, in the Master of Accountancy Program at Coastal Carolina University, was hired by the Waccamaw Community Foundation, the Chapin Foundation, and the South Carolina Association of Non-Profit Organizations (hereafter “The Foundations”) to evaluate auditing and review practices of not-for-profit organizations in South Carolina. The South Carolina Commission on Higher Education defines Service Learning as “college student learning at any level and in any situation that is linked in a direct, hands-on fashion to the resolution of a problem or concern in a target community outside the institution” (South Carolina Commission on Higher Education 2012). The Florida Department of Education categorizes Service Learning into four types, one of which is Research Service Learning, defined as “surveys, studies, evaluations, experiments, data gathering, interviewing, etc., to find, compile, and report information on topics in the public interest” (Florida Department of Education 2009). This survey meets these criteria, and allows students to achieve course defined Student Learning Outcomes (SLOs) while helping The Foundations gather much needed data at no cost.

The project needed to be completed within the 15 week semester and satisfy several SLOs, including but not limited to: Obtain and document information to form a basis for conclusions; and evaluate information obtained to reach and to document engagement conclusions. For these reasons, students did not create the survey questions. Instead, questions were drawn from three national surveys and modified to address the target audience. The three national surveys were Blackbaud Inc.’s State of the Nonprofit Industry Survey (2010); the Center for Audit Quality’s Report on the Survey of Audit Committee Members (2008); and Grant Thornton’s National Board Governance Survey for Not-for-Profit Organizations (2009). The Foundations approved the questions chosen, and full credit was given to the three organizations that created the surveys when students presented the results. From a teaching perspective, this approach provided three advantages. First, bias in survey questions was minimized by choosing questions already created and used successfully. Second, students could analyze the South Carolina survey data and compare it to the national results from the original surveys. Third, comparison

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1 Coastal Carolina University, Faculty of Accounting. E-Mail: kmaguire@coastal.edu
with national results allowed The Foundations to evaluate how well South Carolina NPOs achieve best practices in comparison with the nation as a whole.

Students chose to use a Google Survey for many different reasons, including the cost-efficiency of the online software, the automated (graphic) generation of results, the flexibility in the setup of questions, the ability to export data to Microsoft Excel and the possibility of cross-correlating data. To best achieve the course defined SLOs, aggregated survey results created by Google Survey were not provided to students. Instead, students were given the Microsoft Excel spreadsheet provided by Google Survey, which contained all of the non-aggregated data. Students then had to analyze the data, evaluate the information, compare it to national results, and form a basis for their conclusions.

The survey was sent to all non-profit organizations in South Carolina with a finite response time frame of 14 days. The survey was received by 836 NPOs throughout South Carolina. From these, 234 responses were submitted, giving us a 28% response rate. Students statistically analyzed this data, including its relation to the three chosen demographics: budgeted revenues, Question 16; charitable contributions received, Question 17; and organizational role of the survey taker, Question 18. Data was then compared to the national results when available. The most significant findings are presented in the following pages.

**SURVEY RESULTS**

1. What level of confidence do you currently have in the South Carolina nonprofit industry?

- A great deal of confidence
- Quite a bit of confidence
- Some confidence
- Very little confidence
- No confidence at all

*Insert figure 1 here*

Our results show that 69% of respondents have a high level of confidence in the non-profit industry in South Carolina. We did not receive any no confidence at all responses. However, 3% of the respondents reported very little confidence, while 1% of the participating NPOs did not answer the question. 27% of respondents have some confidence in the South Carolina non-profit industry. No significant differences were found across any of the three demographic factors – organizational role of the respondent, budgeted revenues of the respondent NPO, or charitable contributions of the respondent NPO.

Although we were unable to conduct a direct comparison to the national survey results due to its focus on the for-profit sector rather than the non-profit sector, we would still like to point out the similarity of the responses. Mirroring the results of this survey, 77% of for-profit firms nationally reported a high level of confidence in their industry. This suggests that confidence in one’s own industry remains high, regardless of the current economic decline and the general public’s overall skepticism of financial statements over recent years.

2. What level of confidence do you currently have in audited or reviewed financial information released by South Carolina nonprofit organizations?

- A great deal of confidence
- Quite a bit of confidence
- Some confidence
- Very little confidence
- No confidence at all

*Insert figure 2 here*

According to our results, only 2% of NPOs claimed they had very little or no confidence at all in the audited or reviewed financial statements released by South Carolina’s NPOs. In contrast, approximately 68% report a high level of confidence in the released statements. No significant differences were found across any of the three demographic factors – organizational role of the respondent, budgeted revenues of the respondent NPO, or charitable contributions of the respondent NPO.

We encourage readers to keep in mind these confidence levels as their importance is significant to the overall conclusions and insights of the survey.
3. Based on your experience in the nonprofit industry, how would you rate the overall quality of audits/reviews of South Carolina nonprofits being conducted today?

- Excellent
- Very good
- Good
- Fair
- Poor

NPO responses to this question indicate that the overall quality of audits/reviews in South Carolina is regarded in a positive light. The majority of NPOs rated the overall quality of audits/reviews as excellent or very good, accounting for 59% of the responses. 29% of respondents consider the quality of audits/reviews as good. The lower ratings of fair and poor accounted for approximately 9% of the responses and 3% chose not to respond to this question. No significant differences were found across any of the three demographic factors – organizational role of the respondent, budgeted revenues of the respondent NPO, or charitable contributions of the respondent NPO.

4. Over the past several years, would you say that the overall quality of audits/reviews of South Carolina nonprofits has...?

- Improved Significantly
- Improved Somewhat
- Remained the Same
- Declined Somewhat
- Declined Significantly

According to NPO responses, 59% believe that over the past several years the quality of audits/reviews in South Carolina has improved. 34% indicate the quality has remained the same, while less than 2% believe it has declined somewhat or significantly. 5% of returned surveys did not indicate a response. No significant differences were found across any of the three demographic factors – organizational role of the respondent, budgeted revenues of the respondent NPO, or charitable contributions of the respondent NPO.

Survey results from South Carolina NPOs mirrored the responses of the for-profit national survey; both surveys showed that the majority of all respondents believe that the quality of audits/reviews has improved over the past several years.

We found these results to be consistent with the conclusion presented in Questions 2 and 3; most NPOs in South Carolina are comfortable with the information portrayed in released financial statements and in the audits/reviews of NPOs conducted within South Carolina.

5. There are many different views on how effective audited/reviewed financial statements of South Carolina nonprofits are in communicating the financial position of the nonprofit to donors. Based on your experience, how much do you agree or disagree with each of the following statements?

Part A
Audited and reviewed financial statements of South Carolina nonprofits help strengthen the internal business practices of South Carolina nonprofits

- Agree completely
- Agree somewhat
- Neither agree nor disagree
- Disagree somewhat
- Disagree completely

The results of our survey show that 89% of South Carolina NPOs agreed that audited/reviewed financial statements help strengthen the internal business practices of South Carolina NPOs. 5% neither agreed nor disagreed and only 5% disagreed with this statement. No significant differences were found across any of the three demographic factors – organizational role of the respondent, budgeted revenues of the respondent NPO, or charitable contributions of the respondent NPO.
Part B
Audited/reviewed financial statements of South Carolina nonprofits help donors obtain a comprehensive picture of current financial performance and associated risks of the nonprofit

Insert figure 6 here
We found that 82% of NPO respondents agreed that audited/reviewed financial statements help donors to obtain an overall picture of a NPO’s financial performance and risks. Our results indicate that 9% of respondents neither agreed nor disagreed while 8% disagreed that these financial statements were helpful to donors. No significant differences were found across any of the three demographic factors – organizational role of the respondent, budgeted revenues of the respondent NPO, or charitable contributions of the respondent NPO.

Part C
Audited/reviewed financial statements of South Carolina nonprofits are not very effective because of the complexity associated with accounting principles

Insert figure 7 here
We found that 49% of respondents disagreed that audited and reviewed financial statements of South Carolina NPOs are not effective due to the complexity associated with accounting principles. In contrast to Part B, where only 8% responded that audited and reviewed financial statements were not helpful to donors, 25% agreed that these financial statements are not effective because of their complexity. No significant differences were found across any of the three demographic factors – organizational role of the respondent, budgeted revenues of the respondent NPO, or charitable contributions of the respondent NPO.

Part D
Audited/reviewed financial statements of South Carolina nonprofits are easily accessible by donors

Insert figure 8 here
Our results indicate that only 45% of respondents agreed that audited/reviewed financial statements of South Carolina NPOs are easily accessible by donors. 31% disagreed with this statement, while 21% of respondents neither agreed nor disagreed. This suggests a lack of consensus as to the accessibility of financial information to donors. No significant differences were found across any of the three demographic factors – organizational role of the respondent, budgeted revenues of the respondent NPO, or charitable contributions of the respondent NPO.

Part E
Audited and reviewed financial statements of South Carolina nonprofits contain information relevant to donors

Insert figure 9 here
We found that 75% of NPO respondents agreed that audited/reviewed financial statements provide relevant information to donors. Only 12% disagreed and 12% neither agreed nor disagreed. Combined with Part D, respondents agree that audited/reviewed financial statements are relevant, but they disagree as to their accessibility. No significant differences were found across any of the three demographic factors – organizational role of the respondent, budgeted revenues of the respondent NPO, or charitable contributions of the respondent NPO.

Part F
Audited and reviewed financial statements of South Carolina nonprofits provide a comprehensive assessment of the nonprofit’s performance

Insert figure 10 here
Our results indicated a wide range of responses to this question. 48% of South Carolina NPO respondents indicated agreement that audited and reviewed financial statements provide a comprehensive assessment of a NPO’s performance. 33% indicated disagreement and 19% neither agreed nor disagreed. We found no correlation between a NPO’s budgeted revenues or contributions received and the responses to this question. However, of the 22 accounting/finance professionals who responded to this question, only 4 did not agree that the financial statements provide a comprehensive assessment of the nonprofit’s performance. Therefore, while our results indicated a lack of consensus on whether audited
and reviewed financial statements provide a comprehensive assessment of a NPO’s performance, 82% of accounting/finance professionals were in agreement with this statement.

Part G
Audited and reviewed financial statements of South Carolina nonprofits are too much of a financial burden on nonprofits

Insert figure 11 here

We found that 37% agreed that audited and reviewed financial statements are a financial burden while 43% disagreed. 20% of respondents neither agreed nor disagreed. No significant differences were found across any of the three demographic factors – organizational role of the respondent, budgeted revenues of the respondent NPO, or charitable contributions of the respondent NPO.

Part H
Audited and reviewed financial statements of South Carolina nonprofits are too complicated.

Insert figure 12 here

Our analysis found that 35% agreed that audited and reviewed financial statements are too complicated while 44% disagreed. No significant differences were found across any of the three demographic factors – organizational role of the respondent, budgeted revenues of the respondent NPO, or charitable contributions of the respondent NPO.

Considering Parts A-H of Question 5, respondents agree that audited/reviewed financial statements are relevant to donors and help strengthen internal business practices. However, respondents lack a consensus when considering whether audited/reviewed financial statements of South Carolina NPOs are effective, accessible, too complicated, or too much of a financial burden.

6. How many directors/trustees serve on your board?

- 1 – 5
- 6 – 15
- 16 – 30
- 31 – 50
- > 50

Insert figure 13 here

Per our results, 55% of NPOs in South Carolina have board sizes in the 6 – 15 member range. The second largest number of responses, 29%, indicated a 16 – 30 member board size. Only 9% of respondents chose a board size of 1 – 5, leaving approximately 7% of respondents with 31 or more board members, only one of which had more than 50 members. 3 NPOs did not respond to the question, amounting to less than 1% of the total.

In regards to demographics, our results indicate a relationship between the number of directors/trustees and budgeted revenues. The Budgeted Revenues chart below shows that the larger NPOs, based on budgeted revenues, were more efficient, employing relatively smaller board sizes. The largest board size segment of 6 – 15 members however, has budgeted revenues ranging from < $50K all the way up to > $100M.

Insert figure 14 here

According to our data, both South Carolina and the nation share the same top two segments, 6 – 15 members and 16 – 30 members. 84% of South Carolina respondents have board membership between 6-30 members, compared to 76% nationally. South Carolina contains more board sizes in the 6 – 15 member range, 55%, while the nation has more boards in the 16 – 30 member range, 39%. The chart below indicates national data.

Insert figure 15 here

7. Which of the following board committees does your organization have?

- Audit committee (separate from finance committee)
- Compensation committee
- Development/fundraising committee
- Executive committee
- Finance committee
- Governance committee
- Human resources committee
Our results indicate that the top three committees NPOs in South Carolina have are: finance, 95%; executive, 81%; and development/fundraising, 59%. Few NPOs chose the compensation, 10%; investment, 14%; or human resources, 21%, committees.

Both our South Carolina results and the national results show major similarities. The results indicate that NPOs in both South Carolina and the nation have an executive and finance committee and while the national percent for the development/fundraising committee is lower, it is still significant. The greatest disparity is 67% of national survey respondents have an audit committee, which is more than double the South Carolina result of only 29%. The chart below illustrates the national survey data.

8. Does your audit committee include one or more CPAs?

- We do not have an audit committee
- No CPAs serve on our audit committee
- Yes, one or more CPAs serve on our audit committee

The purpose of this question was to evaluate the financial expertise of the audit committees of the NPOs in the state of South Carolina. Our analysis shows that the vast majority of NPOs in South Carolina have either no CPAs currently serving on the audit committee (14%) or no audit committee (56%). Of the respondents, only 28% of the NPOs indicated that at least one CPA serves on the audit committee.

When compared to the national results, NPOs in South Carolina fail to reach national standards. In South Carolina, 70% of the respondents either do not have an audit committee or have no CPAs serving on the audit committee. Nationally, 74% of respondents have at least one CPA serving on the audit committee while only 26% do not have a CPA on the audit committee. The chart below details this relationship.

9. How often does your audit committee or appropriate board committee meet with your auditor?

- We do not have an independent auditor
- We have an independent auditor, but he/she never meets with the audit committee or appropriate board committee
- They meet once a year
- They meet two to three times a year
- They meet more than three times a year

The largest number of respondents (42%) indicated a meeting between the independent auditor and the audit committee or appropriate board once a year. 20% of respondents have an independent auditor that does not meet with the audit committee or appropriate board and 11% have no auditor. Best practices call for auditor meetings at least twice a year. Our results indicate that just 21% of South Carolina’s NPOs adhere to this practice.

Upon analysis of our data versus the national data, we found a major difference between South Carolina’s NPOs and the nation’s NPOs. The national data only considers NPOs that have an independent auditor. According to the national results, 58% of NPOs claim at least two meetings each year between the auditor and the audit committee. In contrast, only 25% of South Carolina NPOs who have an independent auditor follow the best practice standard. Below is a chart illustrating the South Carolina results versus the national results when NPOs have an independent auditor.

In conclusion, most South Carolina NPOs (73%) do not meet best practice standards of at least two meetings each year between the independent auditor and the audit committee or appropriate board. Our data shows that there is a high potential for improvement of financial data released by South Carolina NPOs if auditors meet more often with audit committees.
Considering Questions 7, 8 and 9, we conclude that our findings are incongruent with the data presented in Questions 2, 3, and 4. According to our results, only 29% of NPOs in South Carolina claim to *have an audit committee* and only 28% of those with an audit committee have at least *one CPA* serving on it. Also, as explained in Question 9, 33% of NPOs either *do not have an auditor* or the auditor does not *meet* with the audit committee. Despite these deficiencies with respect to best practices, 68% of South Carolina NPOs have a high level of confidence in released financial information, 59% believe the overall quality of audits/reviews is improving, and 59% rate the overall quality of audits/reviews as *excellent* or *very good*. This suggests that while respondent NPOs are very confident in the released financial information of the industry, most South Carolina NPOs are not following best practices with regards to financial accountability and stewardship.

10. Which of the following online tools are used (or planned to be used) by your organization?

- Email
- Online Payments
- Fundraising
- Online Accounting System
- Electronic Newsletter
- Social Networking
- Website Analytics
- Event Registration
- Search Engine Optimization
- Advocacy
- Polls/Surveys
- Campaigning
- Member acquisition and Management
- Weblogs
- Volunteer Management
- Supporter Profile Updates
- “Sponsor me” or Group fundraising
- Retail (Sell goods online)

*Insert figure 22 & 23 here*

Out of the 18 tools, the most commonly used were *email* (99%), *online payments* (67%), *fundraising* (79%), *electronic newsletters* (66%), *online accounting systems* (51%) and *advocacy* (56%). According to our results, only 1% of the respondents indicated that they *do not currently use email and do not plan to*. Our data also shows that *online accounting systems* have the highest response for organizations *planning to implement* (38%) followed by *polls/surveys* (36%) and *supporter profile updates* (35%). The online tools that ranked the highest for respondents *not planning to use* are *retail sales* (66%), *campaigning* (49%), and *“sponsor me” or group fundraising* (45%).

The majority of organizations with *online accounting systems* also reported budgeted annual revenues in the range of $250K - $2.4M. The majority of organizations *planning to implement* an *online accounting system* reported budgeted annual revenues of $100K-$249K. The chart below details budgeted revenues in relation to plans to implement an online accounting system.

*Insert figure 24 here*

11. Which of the following online accounting systems is used by your organization, if any?

- No online accounting system used
- Accufund, Inc. - Accufund Accounting Suite
- Blackbaud, Inc. - The Financial Edge
- Blackbaud, Inc. – Fundware
- Cougar Mountain Software – CMS Professional 2011 FUND
- CYMA Systems – CYMA Not-For-Profit Edition
- Donald R. Frey & Co. – Budgetary Control System
- Fund E-Z Development Corp. - FUND E-Z
- Intuit Inc. – QuickBooks Not-For-Profit 2010
- Microsoft Office – Excel

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According to our data, 39% of NPO respondents in South Carolina do not use an online accounting system. 28% use Intuit’s QuickBooks Not-For-Profit 2010, followed by 7% each for Blackbaud Inc.’s The Financial Edge and Microsoft Office Excel. No significant differences were found across any of the three demographic factors – organizational role of the respondent, budgeted revenues of the respondent NPO, or charitable contributions of the respondent NPO.

When considering both Questions 10 and 11, our analysis indicates that if an accounting platform was developed for South Carolina NPOs, it would be best to make it compatible with Intuit’s QuickBooks Not-For-Profit 2010 and Blackbaud’s The Financial Edge due to their widespread use and NPO-based accounting systems. In addition, both of these online accounting systems should be considered as potential recommendations for the 38% of South Carolina NPOs who plan to implement an online accounting system in the future.

12. Please rate the effectiveness of your organization’s accounting system in meeting organizational financial accountability and stewardship goals on a scale of 1-10
   - 1 signifying “Not effective at all”
   - 10 signifying “Extremely effective”

According to our data, most NPOs in South Carolina indicated an effectiveness level of 8, 9 or 10, or extremely effective. 62% rated the effectiveness level at an 8 or higher, 27% rated it between 5 and 7 and only 10% of the responses were 4 or less.

Once broken down by demographics, we conclude there is limited or no correlation between these results and budgeted revenues, contributions received, or role of the survey taker. No significant conclusions were found in regards to national data.

In conclusion, NPOs in South Carolina believe the effectiveness of the accounting system used is very high. This is consistent with the data presented in Question 11; effectiveness ratings are high due to the widespread use of Intuit’s QuickBooks Not-For-Profit 2010.

13. Has your organization experienced any of the following in the last 12 months?
   - Acquiring Debt
   - Budget Deficit
   - Limiting initiatives for which we accept restricted gifts
   - Seeking foundation grants for operating expenditures
   - Seeking government grants for general operating expenditures
   - Seeking non-grant revenue sources to fund operating expenditures
   - Specifically soliciting unrestricted gifts
   - Trouble getting funds for general operating purposes

According to our results, more than half of respondents are seeking non-grant revenue sources to fund operating expenditures, seeking foundation grants for operating expenditures, and specifically soliciting unrestricted gifts. 40% had trouble obtaining funds for general operating purposes. 30% of respondent NPOs have experienced a budget deficit in the last 12 months. No significant differences were found across any of the three demographic factors – organizational role of the respondent, budgeted revenues of the respondent NPO, or charitable contributions of the respondent NPO.

14. Which of the following practices have been implemented (or planned to be implemented) by your organization?
   - Communicated proactively on the impact of programs
   - Communicated proactively to donors on how donations were spent
   - Formed audit committee
   - Independently audited financial statements
   - Independently reviewed (rather than audited) financial statements
Instituted formal policy and plan to meet the Payment Card Industry Data Security Standard (PCI DSS) for storing cardholder data.
- Instituted/updated Form 990 review
- Instituted/updated formal code of ethics
- Instituted/updated formal conflict of interest policy
- Instituted/updated formal gift acceptance policy
- Instituted/updated formal investment policy
- Instituted/updated formal privacy policies for donor information
- Instituted/updated formal privacy policies for website and online data capture
- Instituted/updated formal records retention policy
- Instituted/updated formal whistleblower policy
- Instituted/updated staff confidentiality agreements to ensure secure donor data
- Instituted/updated use of a commercial online accounting system
- Instituted/updated use of the Unified Chart of Accounts for nonprofit organizations (UCOA)

In the aggregate, an average of 54% of respondents have already implemented one or more practices while 21% planned to implement the practices and 16% have no plans to implement the practices.

Eight items are presented separately to show how many respondent South Carolina NPOs have implemented and how many have not implemented these operations that relate to financial accountability and stewardship. Results show the Form 990 Review has the highest implementation rate, followed by a Code of Ethics. The least implemented was the Payment Card Industry Data Security Standard (PCI DSS). However, this latter result could be due to the use of third party vendors for online payments.

The Unified Chart of Accounts (UCOA) for NPOs has been implemented by 36% of respondent South Carolina NPOs. An additional 15% of respondents plan to implement UCOA in their accounting system. UCOA is compatible with the Form 990, Intuit QuickBooks NFP, and Blackbaud’s The Financial Edge. If an accounting platform is developed to assist South Carolina NPOs with their financial accountability and stewardship practices, UCOA would be a useful tool to connect the Form 990 preparation and review to NPOs’ online accounting systems.

15. Which type of audit or review of the financial statements did your organization have done, if any, in the last fiscal year?
- We had no audit/review of the financial statements
- We had a board member, who is a CPA, conduct a review of the financial statements
- We had a financial statement review conducted by an independent auditor
- We had a financial statement audit conducted by an independent auditor

According to our data, 61% of respondents stated that they have had an audit performed by an independent auditor with an average cost of approximately $9,370. 14% of respondents indicated that no audit or review of the financial statements was conducted, 12% stated that a review of the financial statements was performed by an independent auditor at an average cost of $1,953 and 8% of the respondents had a CPA board member perform a review of the financial statements at an average cost of $1,483. It is important to note that review by a board member who is a CPA violates independence standards. In addition, the difference in cost for this service that lacks independence is only, on average, approximately $500 less than the cost for those who obtained an independent review of their financial statements.

In regards to the demographics, NPOs utilizing audits by independent CPAs had higher budgeted revenues than that of those with independent CPA reviews, board member reviews and no audits. NPOs with no independent audit or review range in budgeted revenues from $49.9M to Less than $50K, with the majority of firms at less than $500K. The chart below details the relationship between budgeted revenues and the responses to this question.

16. What was the amount of your budgeted revenue in dollars in the last fiscal year?
- $100M+
Per our results, 38% of South Carolina NPOs have budgeted revenues in the range of $250,000 to $2.4 million. The second largest set of respondents, 33%, had budgeted revenues of $249,000 or less. 22% of the respondents had budgeted revenues of $2.5 million or more. This suggests that South Carolina NPOs of all sizes are adequately represented in our respondent sample.

In comparison to the national survey results, only 8% of national NPO respondents had budgeted revenues less than $249,000, while 33% of South Carolina’s respondents were less than $249,000. The largest group of national respondents, 17%, claimed budgeted revenues of $1 million to $2.4 million for the last fiscal year. South Carolina’s NPOs claimed lower budgeted revenues overall compared to the national NPO respondents.

According to our data, the largest group of respondents, 24%, of NPOs in South Carolina received charitable contributions of less than $25K, followed by 21% who claimed contributions of $100K - $399K. Only 9% of respondents claimed $3M or higher in contributions.

The national survey results indicate that nationwide, NPOs receive much larger contributions than NPOs in South Carolina. The rate of charitable contributions over $400K received by national NPO respondents is double the rate of those received by South Carolina NPOs within the same range. The chart below provides a full summary of comparative results, where the results are reported as a percentage of the total charitable contributions received.

18. Which of the following functional areas best describes your role within the organization?
- Accounting/Finance
- Administrative staff
- Board of Directors/Trustees member
- Executive/Management staff
- Fundraising/Development
- Human resources
- Marketing/Communications/Public Relations
- Membership
The majority of the survey takers in South Carolina, 52%, were a part of the NPO’s executive/management staff. The board of directors/trustees members followed with 12% of the total NPO responses, accounting and finance staff with 11% and fundraising development with 9%.

The majority of respondents in the nationwide survey were a part of the fundraising development team (44%). The next leading categories were the executive/management staff with 31%, the accounting and finance department with 9%, and administrative staff with 4% of the total respondents. The nationwide survey did not include board of directors/trustee member as one of the answer choices.

In conclusion, we found the respondents to our survey to be those within the organization that are best able to respond to the survey reliably. 84% of our respondents function in the areas of executive/management staff, directors/trustees, accounting/finance, and fundraising/development. Given that this survey addresses issues relating to corporate governance, accounting, and auditing practices, these respondents are in a position to answer our questions accurately and thoughtfully.

19. What more, if anything, could be done to improve the quality and/or reduce the costs of audits/reviews of South Carolina nonprofits?

The majority of the open ended responses (59%) came from the group whose budgeted revenues were under $100,000. This segment was concerned with the cost of the audit as well as the difficulty of obtaining a list of auditors who specialize in NPOs. Some sample quotes from this group were:

- “Since our budget is under $500,000, we are not required for an annual audit. We would like to have an audit but the cost is high (over $5,000). It would be nice to find a firm that would be a lot less costly.”
- “The cost of financial reviews and preparation of the 990 tax return is extremely expensive to non-profit organizations.”
- “SCANPO could do a group purchase or provide a list of auditors willing to provide reduced cost. A listing of auditors who are knowledgeable in non-profit standards along with their areas of expertise would be helpful. A fact sheet on how to reduce audit cost and what to look for in an auditor would be beneficial.”

The responses that came from the $100,000 - $5,000,000 segment also expressed concerns about finding qualified auditors. This group was also concerned about the knowledge of the board of directors. Some sample quotes from this group were:

- “Make sure nonprofits are aware of best practices in finances and accounting and strive to better manage the organization's assets each year, whatever their budget.”
- “Continue offering training for nonprofit executives and board members regarding the 990s and the importance of good reporting.”
- “Local auditors claim to specialize in non-profit but miss huge, obvious red-flag items or choose to ignore them. In prior locations, the auditors were much more stringent and comprehensive.”

The segment with over $5,000,000 in budgeted revenues had less to say in comparison to the other groups, but some expressed concerns about the clarification of auditing procedures and the rules for NPOs. Some sample quotes were:

- “More training of nonprofit staff on accounting policies and procedures.”
- “More clarification and guidance on net asset classification on the financials in conjunction with UPMIFA.”
- “There could be a pool that nonprofits buy membership into that allow discounts for back office costs such as audits, marketing, purchasing, HR, legal, etc.”

SUMMARY OF FINDINGS

The purpose of this survey and subsequent data analysis is to provide the Waccamaw Foundation, the Chapin Foundation, and the South Carolina Association of Non-Profit Organizations a better
understanding of the current practices of NPOs in South Carolina. An analysis of the 234 responses provided by South Carolina NPOs provided the following summary of results:

- The majority of surveys were completed by executives or management while the rest were completed by other key decision makers.
- The two additional demographic responses indicated that South Carolina NPOs had budgeted revenues and charitable contributions below the national average.
- Confidence in audited or reviewed financial statements released by South Carolina NPOs rated high, with 68% having a high level of confidence. Additionally, 59% of respondents indicated that the quality of audits or reviews of South Carolina NPOs is excellent or good and 59% think that the quality of these audits is improving.
- The top three committees on the Boards of Directors were Finance, Executive, and Development/Fundraising. 29% of South Carolina NPOs reported having an audit committee while 67% of national NPOs had an audit committee. 79% of South Carolina NPOs did not meet the best practice standard of meeting with the audit committee at least two times per year.
- The majority of the 51% of NPOs that had an online accounting system were using Intuit QuickBooks NFP, followed by Blackbaud’s The Financial Edge and Microsoft Excel. 38% of NPOs in South Carolina planned to purchase an online system.
- 78% of respondents conduct a Form 990 Review, and another 9% plan to implement such. 36% of respondents utilize the Unified Chart of Accounts (UCOA) in their financial accounting, and another 15% plan to implement UCOA.
- 54% of respondents indicated that they had implemented some type of accountability/stewardship practices within the last year and an additional 21% were planning to implement important practices. Additionally, 61% of respondents claimed to have had an independent audit in the last year. However, 8% of NPOs paid Board members to conduct the review of their financial statements, which violates independence standards.
- Comments from all demographic segments indicated that South Carolina NPOs would be interested in more training regarding best practices and in obtaining resources to help them achieve best practices.

The survey results indicate that respondents are confident with audits and audited financial statements of South Carolina NPOs. They believe that the quality of audits is high, and that audits improve the effectiveness of financial statements. However, respondents also believe that audited or reviewed financial statements are complex, inaccessible, and expensive. The majority of respondents do not have an audit committee, nor do they meet with an independent auditor twice per year, which is the standard for best practices. This is far below the national average. One reason for this may be the lack of resources to achieve best practices. The majority of respondents stated that they find the cost of audits and reviews too high, and they could use help in learning how to reduce these costs.

REFERENCES


Figure 1

- 3% Great Deal
- 1% Quite a Bit
- 20% Some
- 27% Very Little
- 49% No Response

Figure 2

- 1% Great Deal of Confidence
- 1% Quite a Bit of Confidence
- 1% Some Confidence
- 6% Very Little Confidence
- 24% No Confidence at All
- 45% No Response
**Figure 16**

South Carolina Results

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation</td>
<td>10%</td>
</tr>
<tr>
<td>Investment</td>
<td>14%</td>
</tr>
<tr>
<td>Human resources</td>
<td>21%</td>
</tr>
<tr>
<td>Audit</td>
<td>29%</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>29%</td>
</tr>
<tr>
<td>Governance</td>
<td>31%</td>
</tr>
<tr>
<td>Program</td>
<td>38%</td>
</tr>
<tr>
<td>Nominating</td>
<td>54%</td>
</tr>
<tr>
<td>Development/Fundraising</td>
<td>59%</td>
</tr>
<tr>
<td>Executive</td>
<td>81%</td>
</tr>
<tr>
<td>Finance</td>
<td>95%</td>
</tr>
</tbody>
</table>

**Figure 17**

National Results

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation</td>
<td>35%</td>
</tr>
<tr>
<td>Investment</td>
<td>42%</td>
</tr>
<tr>
<td>Human Resources</td>
<td>20%</td>
</tr>
<tr>
<td>Audit</td>
<td>32%</td>
</tr>
<tr>
<td>Strategic planning</td>
<td>31%</td>
</tr>
<tr>
<td>Governance</td>
<td>39%</td>
</tr>
<tr>
<td>Program</td>
<td>58%</td>
</tr>
<tr>
<td>Nominating</td>
<td>55%</td>
</tr>
<tr>
<td>Development/Fundraising</td>
<td>55%</td>
</tr>
<tr>
<td>Executive</td>
<td>88%</td>
</tr>
<tr>
<td>Finance</td>
<td>83%</td>
</tr>
</tbody>
</table>
Figure 21

![Bar chart showing the percentage of meetings by region and number of meetings.]

- No Meeting: South Carolina 24%, National 7%
- 1 Meeting: South Carolina 51%, National 20%
- 2 - 3 Meetings: South Carolina 35%, National 52%
- > 3 Meetings: South Carolina 5%, National 6%

Figure 22

<table>
<thead>
<tr>
<th>Service</th>
<th>Yes</th>
<th>No, but Plan To</th>
<th>No, and Do Not Plan To</th>
</tr>
</thead>
<tbody>
<tr>
<td>Email</td>
<td>99</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Online Payments</td>
<td>67</td>
<td>20</td>
<td>14</td>
</tr>
<tr>
<td>Fundraising</td>
<td>79</td>
<td>9</td>
<td>12</td>
</tr>
<tr>
<td>Online Accounting System</td>
<td>51</td>
<td>38</td>
<td>11</td>
</tr>
<tr>
<td>Electronic Newsletters</td>
<td>66</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Social Networking</td>
<td>81</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>Website Analytics</td>
<td>54</td>
<td>17</td>
<td>29</td>
</tr>
<tr>
<td>Event Registration</td>
<td>63</td>
<td>14</td>
<td>23</td>
</tr>
<tr>
<td>Search Engine Optimization</td>
<td>45</td>
<td>24</td>
<td>31</td>
</tr>
</tbody>
</table>
Figure 27

- Aquired Debt: 13%
- Budget Deficit: 30%
- Limited Initiatives on Unrestricted Gifts: 58%
- Seeking Foundation Grants: 60%
- Seeking Government Grants: 54%
- Seeking Non-Grant Revenue Sources: 40%
- Specifically Soliciting Unrestricted Gifts: 40%
- Trouble Getting Funds for General Operating Purposes: 13%

Figure 28

<table>
<thead>
<tr>
<th>Implemented More than 1 Year Ago</th>
<th>Implemented in the Past Year</th>
<th>No Plan to Implement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan to Implement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Formal gift acceptance policy</td>
<td>45%</td>
<td>9%</td>
</tr>
<tr>
<td>Formal investment policy</td>
<td>34%</td>
<td>10%</td>
</tr>
<tr>
<td>Formal privacy policies</td>
<td>41%</td>
<td>7%</td>
</tr>
<tr>
<td>Formal private policy website</td>
<td>31%</td>
<td>9%</td>
</tr>
<tr>
<td>Formal records retention policy</td>
<td>53%</td>
<td>10%</td>
</tr>
<tr>
<td>Formal whistleblower policy</td>
<td>48%</td>
<td>5%</td>
</tr>
<tr>
<td>Confidentiality for secure donor data</td>
<td>51%</td>
<td>9%</td>
</tr>
<tr>
<td>Commercial online accounting system</td>
<td>31%</td>
<td>7%</td>
</tr>
<tr>
<td>Use of the Unified Chart of Accounts</td>
<td>30%</td>
<td>5%</td>
</tr>
</tbody>
</table>

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Figure 35

![Bar chart showing the percentage of total contributions received in different amounts.](image)

- Less than $50K: 30%
- $50-99K: 20%
- $100-399K: 15%
- $400-999K: 10%
- $1-2.9M: 5%
- $3-4.9M: 3%
- $5-9.9M: 2%
- $10-24.9M: 1%
- $25-49.9M: 1%
- $50M+: 0%

Percentage of Total Contributions

Figure 36

![Bar chart showing the percentage of total contributions by organizational function.](image)

- Accounting/Finance: 11%
- Administrative staff: 3%
- Board of Directors/Trustees Member: 12%
- Executive/Management Staff: 52%
- Fundraising/Development: 9%
- Human Resources: 0.40%
- Marketing/Communications/Public: 3%
- Membership: 0%
- Program Staff: 4%
- Technology: 0.40%
- Other: 3%
- Non-Responses: 3%