

Designing a Nonprofit Restaurant to Minimize Fraud While Building Capacity: A Research Service Learning Project

Karen A. Maguire¹

Abstract

The objective of this graduate research service learning project is to evaluate options in several key areas of designing a successful Nonprofit Restaurant, including: Education & Training; Target Customers; Location; Food Concepts; Suppliers; and Types of Payment. Research is conducted for Nonprofit Restaurants in general, and specific research is provided for the project client, Palmetto Works Community Development Corporation. They are working with other organizations to create C.H.O.P.S. – Culinary & Hospitality Operatives Prepared to Serve Culinary Arts Training Program.

For each key area, this graduate research service learning project evaluates options and makes recommendations that allow C.H.O.P.S and other Nonprofit Restaurants to:

- Utilize the appropriate Policies and Procedures (P&P) menu and self-assessment processes from previous graduate research service learning projects
- Make operational choices that minimize the potential for fraud
- Make recommendations that take full advantage of opportunities to demonstrate financial accountability to donors and grant makers, and
- Choose an approach that meets their commitment to achieving best practices while maximizing the benefit to both program trainees and the surrounding community.

JEL classification numbers: A23, L31, M14

Keywords: Nonprofit Organizations, Accounting, Auditing, Governance, Restaurants, Internal Controls, Research Service Learning

¹Professor of Accounting, E. Craig Wall, Sr. College of Business Administration, Coastal Carolina University, Tel: (843)-349-4163.

1 Introduction

“[I]f you give a man a fish he is hungry again in an hour. If you teach him to catch a fish you do him a good turn.” was first said by Anna Isabella Thackeray Ritchie, in her novel *Mrs. Dymond (1886)*. This is one of the truths motivating the Palmetto Works Community Development Corporation to realize their vision of operating a successful nonprofit restaurant. They are working with other organizations to create C.H.O.P.S. – Culinary & Hospitality Operatives Prepared to Serve Culinary Arts Training Program. C.H.O.P.S. is “a collaborative jobs training program between A Father’s Place, Palmetto Works Community Development Corporation and Palmetto Missionary Baptist Church. It is designed to enhance the culinary skills, service attitude, business acumen and personal and professional motivation of participants to enable them to enter the workforce or to start a business ([1]Palmetto Works, 2014).”

The objective of the research project is to evaluate options and make recommendations that allow C.H.O.P.S and other Nonprofit Restaurants to:

- Utilize the appropriate Policies and Procedures (P&P) menu and self-assessment processes from previous projects
- Make operational choices that minimize the potential for fraud
- Make recommendations that take full advantage of opportunities to demonstrate financial accountability to donors and grant makers, and
- Choose an approach that meets their commitment to achieving best practices while maximizing the benefit to both program trainees and the surrounding community.

The project evaluates options and makes recommendations for C.H.O.P.S. and other Nonprofit Restaurants in several key areas of designing a successful nonprofit restaurant including: Education and Training; Target Customers; Location; Food Concepts; Suppliers; and Types of Payment.

The key conclusion from this research is that the Palmetto Works vision for the C.H.O.P.S. restaurant is viable from every perspective we researched. If Palmetto Works agrees and wants to make their C.H.O.P.S. vision a reality they need to begin implementing their vision. The first logical step seems to be to name someone to be the leader/manager of the C.H.O.P.S. restaurant and charge that person with the responsibility to open the C.H.O.P.S. restaurant using some or all of these recommendations.

The general conclusion from this research is that the concept of a nonprofit restaurant is viable as a whole. If an NPO is interested in opening a nonprofit restaurant in their community, this research provides a set of recommendations that the NPO may choose to implement.

This research project was completed by the graduate Fraud Examination class at Coastal Carolina University and builds on previous projects completed by graduate level Fraud Examination and Advanced Auditing classes at Coastal Carolina University. This research project was completed in collaboration with The Chapin Foundation, The Waccamaw Community Foundation, and The Frances P. Bunnelle Foundation. With this and each past and future project, the common goal is to provide cost effective methods for South Carolina Nonprofit Organizations (NPOs) to achieve best practices and demonstrate these efficiencies to their donors and clients.

2 Project Background

In 2011, the Advanced Auditing class at Coastal Carolina University surveyed South Carolina Nonprofit Organizations (NPOs) regarding their accounting, auditing, and governance practices to determine their strengths, weaknesses, and future needs. In 2012, the Advanced Auditing class at Coastal Carolina University produced a stepwise menu of policies and procedures for NPOs of four difference sizes to follow. Each menu adds additional policies and procedures to facilitate organizations as they grow. The objective of the stepwise menus is to centralize and standardize “back-room operations” of NPOs in South Carolina. All stepwise menus mentioned in the policies and procedures white paper meet state and federal legal requirements in addition to aiding the organization in achieving state and national best practices. All applicable policies and procedures in the aforementioned white paper are recommended for all NPOs ([2]Maguire, 2013).

In 2013, the Advanced Auditing class at Coastal Carolina University determined testing tasks for NPOs to self-assess compliance with the previously published stepwise menu of policies and procedures. Whereas the 2012 project addressed the design of internal controls, this project addressed the operation of internal controls. The self-assessment tasks were developed to improve the effectiveness and efficiency of both internal and external audits, in addition to achieving best practices. The applicable self-assessment testing tasks are also recommended for all NPOs utilizing this paper’s research ([3]Maguire, 2014).

In 2013, the Fraud Examination class at Coastal Carolina University conducted a financial asset mapping and gap analysis of all NPOs in Horry and Georgetown Counties of South Carolina. The project analyzed tract level census data, conducted a geographical mapping and financial analysis, and identified locational and financial gaps. The goal of these projects is not only to help local NPOs standardize and grow, but also to help reduce the costs to build connections between the nine existing NPO sectors in Horry and Georgetown Counties ([4]Maguire, 2013).

3 Industry Overview

3.1 Nonprofit Organizations

As of the 2010 Tax Year, all NPOs with revenues greater than \$50,000 are required to file IRS Form 990 on an annual basis ([5]Internal Revenue Service, 2014). Based on 2011 statistics, 43% (354 of 826) of registered NPOs in Horry County filed Form 990, while 46% (134 of 286) filed in Georgetown County. For the state of South Carolina the filing rate was 19% (4,317 of 22,250) and for the United States overall 367,146 of the 1,565,497 registered NPOs, or 23%, filed Form 990. These statistics show that over half of the NPOs in Horry and Georgetown Counties have revenues of less than \$50,000, even though the Form 990 filing rate is greater than that of South Carolina and the United States ([6]National Center for Charitable Statistics at the Urban Institute, 2013).

3.2 Restaurant Industry Statistics

Why should an NPO opt for a restaurant to help achieve its mission? There are many reasons including the size and growth of the industry and the number of jobs available. Here are some of the key 2014 statistics from the National Restaurant Association that support an NPO opting for a restaurant to help achieve its mission.

- In 1955, the restaurant industry's share of the food dollar was 25%. Today, it is 47%.
- The restaurant industry's sales equal 4% of US gross domestic product.
- Average annual location sales were \$874,000 for full service and \$777,000 at quick service restaurants in 2011.
- In 2014, restaurant industry job growth will outpace the overall economy for the 15th consecutive year.
- The restaurant industry employs 10% of working Americans.
- The number of jobs in the restaurant industry is expected to grow by 1.3 million in the next decade ([7]National Restaurant Association, 2014).

The restaurant industry in South Carolina accounts for 8,139 of the 990,000 restaurants in the United States. Accordingly, restaurant sales in South Carolina are approximately \$7.7 billion out of the \$683.4 billion in the United States. Every one-dollar spent on restaurant sales in South Carolina generates an additional \$0.93 in state sales. Every \$1 million spent in South Carolina restaurants generates 27.3 additional jobs in the state. Restaurants in South Carolina employ 206,000 individuals out of the 13.5 million employed in the United States, which accounts for 11% and 10% of total jobs, respectively ([7]National Restaurant Association, 2014).

Why should an NPO opt for a nonprofit restaurant to help achieve its mission? Because it serves the community and it helps their target clients. Evidence supporting this concept is:

- 80% of adults believe restaurants are good corporate citizens
- 72% of adults believe restaurants give back to their communities
- These perceptions are not unrealistic – 94% of all restaurants make charitable contributions totaling \$3 billion per year ([7]National Restaurant Association, 2014).

3.3 Food Trends

In every industry there are trends affecting how the industry is evolving to better serve its clients. Are there any trends in the restaurant industry of which an NPO should be aware and which may even prove to be a benefit to the community? The National Restaurant Association 2014 Culinary Forecast lists these Top 5 Trends:

1. Locally sourced meats and seafood
2. Locally grown produce
3. Environmental sustainability
4. Healthful kids' meals
5. Gluten-free cuisine

One additional noteworthy point in the survey: 96% of chefs surveyed also responded that these will be the strongest trends 10 years from now ([7]National Restaurant Association, 2014).

Further proof of the trends towards locally grown produce and locally sourced meats and seafood comes from two other sources. In 2007 the Oxford Dictionaries' Word of the Year 2007 was "Locavore". They defined a "Locavore" as "A person whose diet consists only or principally of locally grown or produced food" ([8]Oxford University Press, 2007). As part of the "Food-to-Table" movement, which involves food made with locally sourced ingredients, the Food, Conservation, and Energy Act of 2008 defines the total distance a product can be transported and still be considered local or regional food is less than 400 miles from its origin or within the state it was produced ([9]Johnson et al., 2012).

Can an NPO responsibly take advantage of these industry trends?

- These trends reflect the movement toward social responsibility
- Trends support local community
- Trends support healthy choices
- Trends support healthier foods that are also better tasting for citizens of all ages
- Trends are predicted to have long term impact, which benefits both trainees and nonprofit restaurant.

In fact, by including these trends as factors in their plans for the nonprofit restaurant, the NPO shows their caring for the community and their social responsibility.

3.4 Fraud Triangle

All NPOs should be aware of the Fraud Triangle and its important elements. Created by Dr. Donald Cressey, the three elements of the fraud triangle are Perceived Pressure, Perceived Opportunity, and Rationalization. Each of these elements must be present for fraud to occur. People who try to prevent fraud work to decrease Perceived Opportunity. Both Perceived Pressure and Rationalization are internal to the fraudster, and the person working to prevent fraud cannot affect those perceptions. However, having good internal controls can decrease both perceived and actual opportunities, so fraud fighters focus all or most of their preventive efforts on implementing controls and ensuring adherence to them ([10]Albrecht, 2012).

There are six major factors that increase opportunities for individuals to commit fraud within an organization. These six factors include: lack of controls that prevent and/or detect fraudulent behavior; inability to judge quality of performance; failure to discipline fraud perpetrators; lack of access to information; ignorance, apathy and incapacity; and lack of an audit trail ([10]Albrecht, 2012).

The first step to decreasing fraud opportunities is to recognize that all three elements MUST be present for fraud to occur. An important step an organization can take to prevent the opportunity for fraud is to have an effective internal control framework ([10]Albrecht, 2012). Resources that an NPO can use to do this are the aforementioned stepwise menu of policies and procedures for NPOs of four different sizes ([2]Maguire, 2013); and the corresponding testing tasks for NPOs to self-assess compliance to the previously published stepwise menu of policies and procedures ([3]Maguire, 2014). Implementing strong internal controls attacks the perceived opportunity to commit fraud. The Association of Certified Fraud Examiners (ACFE) estimated that 5% of revenues are lost to fraud. The ACFE found that when internal controls are present it leads to a significant decrease in cost and duration of fraud schemes ([11]ACFE, 2014).

3.5 Universal Topics

This section includes topics we refer to as “Universals” – regulations or recommendations that apply to all nonprofit restaurants. Universal topics include the Americans with Disabilities Act (ADA) Guidelines, Food Safety and ServSafe, Licensing of Music, NPO Insurance Protection, Unrelated Business Income Tax (UBIT), and Restaurant Checklists. The Americans with Disabilities Act (ADA) prohibits discrimination and ensures equal opportunity for persons with disabilities in employment, state and local government services, public accommodations, public facilities, and transportation. Businesses that serve the public must modify policies and practices that discriminate against people with disabilities; comply with accessible design standards when constructing or altering facilities; remove barriers in existing facilities where readily achievable; and provide auxiliary aids and services when needed to ensure effective communication with people who have hearing vision and speech impairments ([12]ADA, 2010). NPOs should follow the laws, regulations and policies related to the Americans with Disabilities Act, which can be found at ADA.gov.

Safety, health, and environment regulations for restaurants consist of FDA Standards, safety programs and training, accident reporting policies, and any industry required laws that apply ([13]FDA, 2013). All NPOs operating a nonprofit restaurant benefit from its members getting ServSafe certified. There are several different ServSafe programs and certifications available. These include the ServSafe Manager Program, the ServSafe Food Protection Manager Certification, the ServSafe Food Handler Program, and the ServSafe Alcohol Program ([7]National Restaurant Association, 2014).

All restaurants must meet food safety and health requirements. The South Carolina Department of Health and Environmental Control (DHEC) provides a Food Safety and Security Checklist to ensure compliance. It calls for pre-opening, 30-day, and yearly routine inspections ([14]SC DHEC, 2005).

The National Restaurant Association (2014) recommends that restaurants purchase a blanket music license to avoid any legal liability. Fortunately for NPOs, prices for music licenses range from the low hundreds to several thousand per year, with prices negotiable given various criteria. In the United States there are three companies that issue music licenses to restaurants: The American Society of Composers, Authors and Publishers (ASCAP); Broadcast Music, Inc. (BMI); and the Society of European Stage Authors and Composers, Inc. (SESAC, Inc.) ([15]National Restaurant Association, 2014).

Four basic insurance policies all NPOs – and especially those selling food and/or products – should consider are general liability insurance, property insurance, product liability insurance, and fidelity bonding. General liability insurance protects your organization from any type of injury that someone allegedly suffered on your premises, from your products, or from something your organization has done. Property or renters insurance provides protection in the event of a natural disaster, theft, vandalism, etc. It is recommended your policy pays to replace all items that are damaged or destroyed instead of paying market value. Product liability insurance protects your organization from potential claims made by customers as a result of your product. This type of insurance will usually cover legal costs and a substantial portion of any damages. Fidelity bonding insures against loss of cash or assets from fraudulent actions. Additional coverage your organization may want to consider, depending on your specific needs, includes coverage for volunteer liabilities, workers compensation, and Directors and Officers coverage ([16]Pakroo, 2014).

All NPOs must be cognizant of unrelated business income tax, more commonly known as UBIT. The sole fact that your organization is tax exempt does not mean that you are *always* exempt from paying taxes to the Internal Revenue Service. Unrelated business income is “income from a trade or business, regularly carried on, that is not substantially related to the charitable, educational, or other purpose that is the basis of the organization's exemption” ([17]IRS, 2014).

Not all income from activities unrelated to your mission is considered unrelated business income worthy of taxation. The IRS specially exempts volunteer labor, convenience of members, selling donated merchandise, and certain bingo games as activities excluded from the UBIT calculation. The IRS describes volunteer labor as, “...substantially all the work is performed for the organization without compensation. Some fundraising activities, such as volunteer operated bake sales, may meet this exception” ([17]IRS, 2014). Next, it describes convenience of members income as, “any trade or business is excluded that is carried on by an organization described in section 501(c) (3) or by a governmental college or university primarily for the convenience of its members, students, patients, officers, or employees. A typical example of this is a school cafeteria” ([17]IRS, 2014). Finally, it describes selling donated merchandise as, “...selling merchandise, substantially all of which the organization received as gifts or contributions. Many thrift shop operations of exempt organizations would meet this exception” ([17]IRS, 2014). Other examples of unrelated income that your exempt organization would likely not include are: “dividends, interest, other certain investment income, royalties, certain rental income, certain income from research activities, and gains or losses from the disposition of property” ([17]IRS, 2014).

If your organization has greater than or equal to \$1,000 of gross unrelated business income, it is required to file a Form 990-T. Furthermore, your organization must pay an estimated tax if you expect your UBIT to be greater than or equal to \$500. An estimated tax is paid on a quarterly basis and the estimated calculation can be found on the Form 990-W. The Internal Revenue Service Publication 598 and the Form 990-T Instructions have additional information regarding this topic if your organization is unsure of certain income classifications ([17]IRS, 2014).

Finally, the Food Service Resource Associates LLC (www.FoodServiceResource.com) provides a wide array of services to those wanting to start a restaurant. When opening a restaurant this organization recommends and provides detailed checklists of key items that must be addressed before opening the restaurant. Checklists include equipment, inventory, pre-opening, green food, and human resources.

3.6 Food Concepts Overview

The business model of the restaurant is an important factor in how all other decisions will be made. This section provides a brief overview of the restaurant models used in our analyses. These models emerged from multiple sessions using open ended surveys administered to students and clients. Two distinct, potential food concepts for the nonprofit restaurant emerged. We refer to these food concepts as Economic Eats and Premium Palates.

The Economic Eats restaurants are similar in that they offer quick service, fast casual, food truck, and/or take out for a menu of 20-25 American and Southern styled items in a price range of \$3 to \$10. The revenue goal for a single site would be \$600,000 to \$1 million.

The Premium Palates restaurants would have table service, take out, delivery, and/or catering, as well as an expanded menu of 30-40 items of French, Italian, and Asian cuisine at a price point of \$10-\$25. The target revenue of a single site would be \$1.6-\$2.2 million.

4 Nonprofit Restaurant Options and Recommendations

4.1 Education and Training

The NPO will need to consider the Education and Training dimension of their successful nonprofit restaurant. Knowing the various training programs that are available along with the funding and transportation options will be a key part of the success for the NPO's restaurant efforts.

There are several different training programs that vary in the length of time and requirements needed to complete them. They include high school programs, certificate programs, associate degree programs, bachelor degree programs, and master degree programs. All of the programs reviewed are ServSafe approved, as they provide instruction in basic food safety, personal hygiene, cross-contamination and allergens, time and temperature, and cleaning and sanitation.

The Academy for Technology and Academics in Conway, South Carolina, is an example of a high school program where Culinary Arts are taught through a base high school, have varying lengths of time, and offer preparation for further education. They teach the basic skills needed in culinary arts through courses such as Culinary Arts I, II, and III ([18]Academy for Technology and Academics, 2014). ProStart is another high school program, this one offered by the National Restaurant Association. It is a two year program that cross-trains the student in all aspects of a restaurant's operation through 400 hours of mentored work experience. Upon completion, the student is awarded the ProStart National Certificate of Achievement ([7]National Restaurant Association, 2014).

There are several different certificate programs, each with different lengths and levels of training. Tri-County Technical College offers a Culinary Arts Certificate for an eight week program that teaches food production, business concepts for food services, and employment training ([19]Tri-County Technical College, 2014). FEDCAP is a culinary arts/food services training program that teaches food preparation, operations management, and customer relations in a twelve week/300 hour curriculum ([20]FEDCAP, 2014). The National Restaurant Association offers the National Restaurant Association Cooking Certificate. This program consists of two years and 400 hours of mentored work experience in which the student will learn kitchen essentials, including equipment and culinary techniques, and management skills such as communication and customer service ([21]National Restaurant Association, 2013).

Many technical colleges offer associate degree programs in culinary arts. Horry Georgetown Technical College offers an Associate in Applied Science degree in Culinary Arts Technology. It is a two year program consisting of 70 credit hours in which the student will learn food production, business concepts for food services, and management skills ([22]Horry Georgetown Technical College, 2014). The Culinary Institute of America offers an Associate in Occupational Studies in Culinary Arts degree. It is a 21 month program that teaches basic baking, nutrition, menu development, food safety, communication, and cost control skills ([23]The Culinary Institute of America, 2014).

The Culinary Institute of America also offers a Bachelor of Science Degree in Culinary Arts. It is a continuation of the associate degree program that requires 24 additional credit hours in which the student will learn financial management, marketing and promoting food, other countries cultures and foods, professional food writing, and leadership skills ([24]The Culinary Institute of America, 2014). Johnson & Wales University also offers a Bachelor of Science in Culinary Arts degree. It is a four year program that teaches culinary arts and food service management, as well as baking and pastry culinary arts ([25]Johnson & Wales University, 2014).

At the highest level of education, Atlantic International University offers a Master of Culinary Arts degree. In this program, the student will gain experience in the kitchen, study the business of cost control, and learn about sanitation and safety, menu and beverage management, nutrition, and kitchen management. The length of the program varies as the schedule is flexible and built for the student's needs ([26]Atlantic International University, 2014).

Sources of funding for the training programs depend on the needs of the potential trainees. For Palmetto Works and their mission, the potential trainees include at-risk youth, military veterans, and prior offenders. Each of these categories has several options to seek funding. For more information, please see Appendix A: Training (available from author upon request).

4.1.1 Recommendations

Our first recommendation is to utilize an in-house rotational training program in order to increase trainees' marketability, facilitate both kitchen and customer operations of the nonprofit restaurant, and mirror the all-around training approach of the education and training programs profiled above. This would include training in server setup and greeting, taking orders, other server duties, other server information, and server evaluation.

For the certificate program, we recommend programs akin to the Tri-County Technical College Culinary Arts Certificate, as it is a WIA eligible training program. For higher education programs, we recommend the Culinary Institute of America as it offers a variety of degree programs, from associate to bachelor degrees, with easy student transition between degree programs. Students in these programs are eligible for Federal Pell Grants, Federal Supplemental Educational Opportunity Grants, Federal Work-Study, and Veterans Benefits. For more information, please see Appendix A: Training (available from author upon request).

4.2 Target Customer

When considering the customers of a nonprofit restaurant, there are three distinct groups the NPO can serve while carrying out its mission. The components of target customers include: Tourists; Locals, including college students; Donors; and the trainees themselves, who may be at-risk youth, veterans, and prior offenders.

The National Restaurant Association's 2014 survey highlights why Locals are such a valuable target audience:

- 90% enjoy restaurants
- 40% find them essential to their lifestyle
- 70% cannot replicate their favorite restaurant foods at home

- 72% are more likely to choose a restaurant with lower prices during off-peak hours
- 72% are more likely to choose a restaurant with healthy choices
- 64% are more likely to choose a restaurant with locally sourced food
- 58% choose a restaurant based upon its sustainability efforts ([7]National Restaurant Association, 2014).

Students are an excellent target customer. Several different surveys point out the reasons why. Just some of the reasons are:

- College students spend 36% of their discretionary spending on food, which amounts to \$42.1 billion per year
- 88% of college students visit quick service and 83% visit sit down restaurants monthly ([27]Refuel Agency, 2014)
- Study found 59% of college students are food insecure, and food insecurity is inversely related to GPA ([28]Patton-Lopez et al., 2014)
- From 1977-1995, children 2-18 years increased fast-food consumption by 500% ([29]Davis and Carpenter, 2009).

National Restaurant Association research shows that roughly one in four industry sales dollars come from travel and tourism. The Senior Vice President of the National Restaurant Association's Research and Knowledge Group told a House panel that travel and tourism plays a crucial role in restaurant industry growth, including helping the nation's nearly one million restaurants create jobs ([7]National Restaurant Association, 2014). Tourists are a valid target customer for a nonprofit restaurant. Tourists have several unique characteristics on how they choose a restaurant and how they buy from them. These characteristics need to be considered when deciding how to best serve and win the tourist customers' business:

- Tourists will gradually come in based on the spread from locals
- Tourist ask locals for suggestions of restaurants and entertainment
- 33% consider feedback from peer-review websites when selecting restaurants
- 44% use a smartphone to check nutrition information for restaurants ([30]National Restaurant Association, 2013).

The program's trainees will also be target customers. This category includes at-risk youth, veterans, and prior offenders. There are many at-risk youth in our country. More than 20 million children live in single parent homes. The average annual median income of single mothers is \$24,000. One third of American children are being raised without a father, and children without fathers are more likely to grow up in poverty ([31]Anderson, 2013). Only three other developed countries have a higher child poverty rate than the United States: Mexico, Chile, and Turkey. Students that come from low-income families are seven times more likely to drop out of school, and children below the poverty line are 1.3 times more likely to have learning disabilities ([32]DoSomething, 2014).

Why should an NPO opt for the restaurant industry in which to train its at-risk citizens in need of marketable skills? Simply put, because of the opportunities to serve these people and make a difference in the community:

- 80% of all restaurant owners' first job was in a restaurant
- 90% of all salaried restaurant employees started as hourly workers
- First line supervisors/managers in 2012: 59% women, 14% black or African-American, 17% Hispanic origin

- Overall, the number of restaurant businesses rose 36% from 1997-2007. During same period:
- Women owned restaurants rose by 50%
- Black or African-American owned rose by 188%
- Hispanic owned rose by 80% ([7]National Restaurant Association, 2014).

Veterans also make up a large segment of society and the restaurant industry. There are more than 250,000 veterans employed in the restaurant industry ([7]National Restaurant Association, 2014). Veterans are known for their dedication and provide invaluable skills in organizational, team building, and problem solving areas ([33]Charitable Giving Statistics, 2014).

Why should an NPO opt for the restaurant industry in which to train its veteran citizens in need of marketable skills? There are 2 very good reasons to do this – Need and Opportunity. Veterans are in need of the kind of help that gives them a future and a career:

- Veterans serving since 2001 to the present have an unemployment rate of 10%, compared to the national average of 7.3%
- For female veterans, the unemployment rate is 11.6%
- One in five households that relies on the Low Income Home Energy Assistance Program (LIHEAP) has a veteran in it
- Veterans make up 7% of the general population, but 13% of the homeless population ([34]Covert, 2013).

Veterans are also a great opportunity for the NPO to serve the community through giving veterans the skills to develop a career in the restaurant industry, which has already shown how receptive it is to Veterans:

- Veterans are half to full owners in 65,469 restaurants
- 250,000 veterans work in the restaurant industry: 19% in management, 14% supervisors, 6% were on active duty in the last year
- National Restaurant Association maintains a database of job openings matched to and searchable by Military Occupation Specialty (MOS) Codes ([7]National Restaurant Association, 2014)
- Various franchises actively recruit veterans
- Offer credits, discounts, or waive fees for honorably discharged, non-service disabled, and service-disabled veterans toward their first store
- These franchisors believe the skill set, composure, and commitment that veterans possess make them ideal franchisees
- Programs include Little Caesars Veterans Program, Cici's Pizza Patriots Program, International Franchise Association's VetFran Program ([7]National Restaurant Association, 2014).

The final category of trainees is prior offenders. These are people who have committed past mistakes and are in need of assistance in the transition back into society. As one of the core groups of trainees, they are also an important target customer.

Why should an NPO opt for the restaurant industry in which to train its returning citizens in need of marketable skills? Because it helps these people in need, helps the community, and helps business:

- Businesses who hire prior offenders benefit from the Work Opportunity Tax Credit

- Programs while incarcerated that allow for GEDs and college degrees as well as vocational training provide a smoother transition to further training and employment
- Workforce development programs have shown that prior offenders have been committed to turning their lives around
- Fidelity Bonding for prior offenders is provided by the Federal Bonding Program ([35]Lockhart, 2012).

There are several sources of funding and donations for a nonprofit restaurant training program, and these same sources can also be considered potential customers. These potential donors/customers include Community Foundation Centers, local businesses, local farmers, and individual donors including Locals, Students and Tourists ([36]Grace Communications Foundation, 2014). According to NPTrust (2013), 88% of households give to charity. The average annual household contribution is \$2,213 while the median is \$870. In 2011, the largest source of charitable giving came from individuals at \$217.79 billion, or 73% of total giving; followed by foundations (\$41.67 billion/14%), bequests (\$24.41 billion/8%), and corporations (\$14.55 billion/5%). Foundation giving increased in 2011 to \$41.67 billion--a 1.8% increase from 2010. The number of foundations has increased 242% since 1980; 33.6% since 2000; and 6% since 2005. Corporate giving held steady in 2011 at \$14.55 billion. There were 177,357 donor-advised fund accounts in 2011. Fifteen donor-advised funds held \$37.43 billion in assets in 2011. As the statistics indicate, people are more than willing to give their money to a good cause, so it stands to reason that donors are an important target customer ([37]NPTrust, 2013).

4.2.1 Recommendations

Our first recommendation for target customers is to take advantage of the opportunity that all three members of our first customer group – Locals, Students, and Tourists – demonstrate a need or demand for the following:

- Locavore and/or sustainability efforts
- Positive word of mouth
- Positive feedback on peer-review websites
- Healthy choices with online nutrition information
- Lower prices during off-peak hours

For trainees we recommend targeting at-risk youth as there are both public and private sources for funding, and this helps not only the individuals, but the community as a whole. Veterans are important target trainees and customers as many already work or have worked in restaurants, they provide invaluable skills, and there are both funds and tax benefits for including them. They are organized, disciplined problem-solvers, and their training in team-building makes them excellent classmates during training and employees or managers upon graduation. Prior offenders should also be targeted in the program, as there are various programs that help with funding, as well as tax benefits and fidelity bonding for employers who hire these training graduates. For donors we recommend starting small with local businesses and farms, and then expanding to community foundations and corporations. Given that the Food-to-Table movement is already functioning, this provides options to help the nonprofit restaurant with both ideas and resources.

4.3 Location

The components of an NPO's restaurant location choice are: demographic studies, choosing a location, safety, the ADA, transportation, and the decision of whether to lease the property or purchase the property. Some of these topics were addressed previously in the Universals section since they apply to all nonprofit restaurants.

4.3.1 Choosing a Location without Spending a Donors' Dime

NPOs can engage in cost effective, but costly, studies that analyze the demographics, trends, and traffic patterns when choosing a location. NPOs can also choose to benefit from going where others have already gone – in other words, simply locate yourself with your competitors. Your competitors have chosen their location based upon costly demographic studies, so take advantage of the results and spend your donors' money more effectively elsewhere. The benefits of this strategy can range from using the competitors' location to entice customers to the nonprofit restaurant's location, to benefitting from the competitors' advertising. As the competitor advertises and brings in customers, the customers notice the new restaurant that just opened. It entices them to try it. If they like it they will come back. The nonprofit can also learn from the competitors' business. The nonprofit should analyze the competitors' pitfalls, target demographics, and zonings with a fresh perspective and adjust its operations accordingly ([38]Spaeder, 2014).

4.3.2 Transportation

Trainees and employees of the nonprofit restaurant may face logistical challenges when going to and from work. There are solutions to this challenge that may vary from location to location. A grant offered by the US Department of Transportation, named Job Access and Reverse Commute Program (JARC), was established to overcome logistical challenges faced by low-income persons with hopes of seeking and maintaining employment. Private NPOs, state and local governments, and operators of public transportation services are eligible to receive the grant. Grants are also available to private NPOs for capital, planning, and operating expenses for projects that transport low-income individuals to and from employment ([39]US Department of Transportation FTA, 2014). Please refer to Appendix C: Location for transportation resources (available from author upon request).

4.3.3 Buying versus Leasing

If the NPO accounts for its lease as an operating lease, the amount paid for the lease should be accounted for as rent expense on Form 990 ([40]Internal Revenue Service, 2013). If the NPO accounts for its lease as a capital lease, the cost of the property should be depreciated over its useful life. Effectively, the NPO is purchasing a capital asset when entering into a capital lease ([41]Miller, 2014). There are benefits to leasing that are not present when purchasing a property. When leasing a property, initial cash flow and credit ratings are not as prominent of an issue as when prospectively purchasing property. If something were to happen with the restaurant or the location needed to be moved, the NPO would have the option to sublet the space and would not have to hassle with selling a property ([42]DiFranco, 2013). A property owner that rents residential property to an NPO and does not make a profit on the rental activity can take a deduction of rental

expenses only up to rental income. If rental expenses exceed rental income for any particular year, the property owner is not allowed to deduct the loss or carry it forward to the following year ([43]Internal Revenue Service, 2013). Unlike residential property, tax deductions are not allowable to landlords willing to lease office space at a discount or free to an NPO. The concept put forth by the IRS is that the landlord is generating less taxable income than he would have otherwise, so therefore he is already paying fewer taxes ([44]Sanders, 2014). There are disadvantages for the NPO when leasing versus purchasing property. The NPO does not have the ability to build equity and may be subject to escalating rental rates based on the rental market. As a precautionary leasing measure, the NPO should address whether the lessor is willing to enter into another lease term after the current one has expired if it is probable that the NPO will stay in the same location after the conclusion of the first lease term ([42]DiFranco, 2013).

If the NPO chooses to lease and then makes improvements in the property these are called Leasehold Improvements. These are a separate asset from rental property to be depreciated. Examples are: painting, installing partitions, changing the flooring, and putting in customized light fixtures ([45]Lee, 2003).

Benefits of purchasing and owning a restaurant location are mainly attributable to yearly tax returns and equity. When applicable, the interest paid on the property's mortgage loan is tax deductible and deductions can be made from annual depreciation expense paid. In addition, the NPO builds equity in the property with the ownership. The option to make changes to any aspect of the building is also present with ownership. Extra maintenance and capital are among the disadvantages of owning the restaurant property. Purchasing a property usually requires more initial capital than leasing a property would. The owner may also be subject to regulatory and legal requirements that would not affect a lessee. Ownership of property entails responsibility for all things related to the property, unlike leasing. The NPO also runs the risk of a bad investment and incurring losses related to the property in the event of a sale ([42]DiFranco, 2013). If the NPO wants to avoid purchasing or leasing altogether, the IRS offers an enticing benefit to property owners. Owners can choose to donate office space to an NPO as an in-kind donation, as the IRS encourages the donor take a tax deduction for the fair market value ([44]Sanders, 2014). Please refer to Appendix C: Location for a link to a buy versus lease calculator that may be helpful in the decision (available from author upon request).

4.3.4 Recommendations

We recommend that C.H.O.P.S. and other nonprofit restaurants choose a location based on the location of other established, competitive restaurants in their geographic area of interest. The nonprofit restaurant will benefit from surrounding competition. For Palmetto Works as well as other NPOs, we believe that it is more beneficial to lease versus buy property, as it is more economically feasible in the short run. This option minimizes initial cash flow and maximizes flexibility. In the long run, it will allow for future growth should the nonprofit restaurant decide to expand ([46]Dinkytown, 2014).

Our location recommendation specifically catered for C.H.O.P.S. is for a restaurant property in the Highway 501 Corridor in the general area of Carolina Forest. The location is proximal to Coastal Carolina University, Horry Georgetown Technical College, Miller Motte Technical College, the City of Myrtle Beach, the City of Conway, and is in the heart of the Grand Strand region of South Carolina. The quick serve restaurant will benefit from students and tourists on a year round basis. While school is in session during

the fall and spring, students travel and/or commute back and forth from Conway to Myrtle Beach. Sixty one percent of Coastal Carolina students are commuters ([47]Coastal Carolina University, 2014). Carolina Forest is conveniently located on the 501 corridor from Conway to Myrtle Beach and vice versa. When school is out of session, more than fourteen million tourists visit Myrtle Beach each year ([48]MyrtleBeach.com, 2014), which increases the population by 1,500% during the summer ([49]Vacations Made Easy, 2014). The majority of routes in and out of Myrtle Beach from northern states, western cities and states (Columbia, SC and beyond), and anywhere from Highway I-95 all involve Highway 501 as an entrance and exit route ([50]Myrtle Beach Golf Secret, 2013). This adds a significant amount of traffic in and around the Highway 501 Corridor. Exceptions to this are tourists that are willing to add mileage to their travels in order to avoid Highway 501 traffic.

As an added benefit, quick serve restaurants are noticing a loyal trend beyond university years in its student customers ([51]Watral, 2010). Research suggests that college students spend between \$500 and \$1,000 on meals per month not including beverages ([52]PRWeb, 2013). As of recently, policymakers are beginning to view universities as having a direct economic impact by being an important tool for growth in their respective regions. This is an increasing inclination as colleges and universities help improve their respective region's workforce with educated workers, and aid in creating jobs for these additional educated workers ([53]Abel and Deitz, 2011).

For NPOs who are unable to choose a location and open near a college or major corridor, we recommend considering areas that provide a consistent congregation of people, such as hospitals, business parks, or high schools. Again, the presence of competitors can provide an indication of the potential success of a location.

4.4 Food Concepts

As indicated earlier, NPOs who wish to operate a restaurant have the option to serve 'Economic Eats' versus 'Premium Palates' in their nonprofit restaurants. Food concepts, such as types of menu, hours of operation, menu prices, type of cuisine, serving style, and food safety for a nonprofit restaurant may differ depending upon whether the organization characterizes the food it serves as economical or premium. It is also important for NPOs to realize the potential fraud that may occur within the operation of a restaurant.

Prevalent frauds occurring in a restaurant include inventory shrinkage as a result of employee theft, employees giving discounts or giving food away, and employee liquor theft. A lot of theft occurring in restaurants is perpetrated by employees. Inventory shrinkage refers to a loss of product between manufacturing and the ultimate sale. The largest cause of inventory shrinkage is employee theft. The National Restaurant Association estimates that internal employee theft is responsible for 75% of inventory shortages and about 4% of total restaurant sales ([54]Accounting Tools, 2014).

There are many ways for the organization to identify potential inventory theft issues. Managers or employees who keep track of inventory will be more likely to notice items missing. It is much more efficient to have multiple people count inventory than a single individual in order to try to prevent fraud. Another way to minimize employee theft in restaurants is to allow employees to eat a meal at work. Some restaurants allow employees to ring up and make their own meals during break or after a shift. In order to control this process, there should be a limit on the number of menu items that an employee is permitted to eat during a shift. Another terrific way to help guard against

employee theft is to closely monitor employees. If employees have been acting secretly or defensively at work, it is more worthwhile to pay attention to these employees more closely. Pay attention to food costs and keep detailed records of workers arrival and departure from work. If food costs have suddenly gone up, and detailed records are being kept, discovering theft may be easier, pointing to an event such as a particular employee's arrival at the restaurant ([55]Parpal, 2014).

Employee liquor theft is prevalent in restaurants. Managers should be wary of liquor theft. Alcohol is usually stolen in three ways. The three methods are deliberate theft, spillage and over pouring. Managers should pay close attention to see if any of the employees are stealing from the organization through any of these ways. Research suggests that most establishments lose an astonishing 25% of their alcohol to employee liquor theft ([56]Baltazar, 2011).

There are many steps that can be taken to help prevent inventory theft in restaurants. Maintaining a strict employee theft policy is one way to guard against inventory being stolen. Let the employees know that there will be zero tolerance for theft. Properly train employees, monitor employee access to inventory and keep tabs on product inventory using multiple employees and managers. Another great way to prevent inventory theft is to let employees have meals during their shift. There should be a limit of one meal per employee per shift, and someone else should always make an employee's meal and ring in the order. Security cameras are also a great way to prevent employees from stealing. Fidelity bonding can protect NPOs who experience fraudulent activities in their restaurants. This is a great way to protect against losses from stolen items such as food and liquor ([55]Parpal, 2014).

There are many useful precautions available to nonprofit restaurants to guard specifically against employee liquor theft. First, the feed from surveillance cameras can be placed an area of the restaurant where the bar is being monitored. Also, organization managers should make employees aware of what constitutes alcohol theft, including acts of spillage or over-pouring. Limit the purchase, receipt, and issuing of alcohol to key personnel. It's also smart to store liquor in a secure area of the restaurant. Limit the access of this area to personnel in supervisory positions, such as the manager. Other helpful precautions include daily liquor inventory counts, spot checks at the bar to ensure proper bottle counts and liquor levels, smell checks on liquor bottles for authenticity, as well as bar monitoring by a supervisor for at least ten minutes every hour. A great way to ensure that not too much liquor is being poured into drinks is to use pour-control devices that attach to bottle spouts, helping to make the flow of liquor into drinks be more consistent. Another precaution is for the employees to store belongings in a locked room ([57]Amo, 2014).

4.4.1 Recommendations

Recommendations for Palmetto Works and other NPOs include use of the Economical Eats model. A set menu should be used that also includes weekly specials. The cuisine offered should be Southern and American. Given the customer demand previously discussed, make sure to use local food products and also work with socially conscious companies. It is not suggested that Palmetto Works serve any alcoholic beverages. The restaurant should be open for lunch and dinner. Also, menu items should be priced anywhere between \$3 and \$10, with lower prices during off-peak hours. Finally, Palmetto Works should implement a fast casual serving style with take-out options.

4.5 Suppliers

NPOs operating a nonprofit restaurant will need to purchase supplies to use in restaurant operations. The organization needs to consider what equipment to buy and from where to buy it. Also, the NPO must consider where to get food for the restaurant. Lastly, the organization needs to acquire transportation vehicles that can be used to transport goods to the restaurant location.

A restaurant has many options of how to acquire equipment. One way to obtain equipment is through leasing. There are both advantages and disadvantages to leasing equipment. The advantages of leasing equipment include less cash required to be paid upfront and lower or no repair costs. In addition, when the lease ends, the NPO can renew the lease or upgrade to a newer model of equipment without any disposal costs or time involved. However, there are disadvantages to leasing equipment. Disadvantages include the monthly lease payments that are required, and no ownership of the equipment ([58]Mealey, 2014).

The organization must make a choice on where its food is purchased. It is recommended that the organization receive its food supply from socially responsible food organizations. The organization can look to Oxfam, a world-wide community improvement organization, to find companies that meet the socially responsible dynamic. Oxfam is an organization that monitors major companies in the food corporation sector to see if they are politically and socially responsible for their actions. Oxfam looks at companies that excel at “creating shared value.” They offer a list of companies that benefit society as well as its shareholders ([59]Nestly, 2010).

More specific options for the organization to purchase produce include local vendors. Local community suppliers are a great place to shop. The organization can choose to shop at local farmers markets, utilize community supported agriculture programs (CSAs) which provide direct-to-consumer programs, as well as ‘pick your own farm’ programs. Other food supplier programs include direct-to-retail, food service and institute programs. Food hubs are an example of a facilitator in local food distribution, helping to bring produce directly to establishments. Sustainable livestock farms are also recommended because of their farming of heritage and heirloom animal breeds. ([60]Grace Communications Foundation, 2014). There is also the option to acquire food to be used in the restaurant from food banks and donations. Please see Appendix E: Suppliers for links to these resources (available from author upon request).

Transportation vehicles will be needed to bring purchased supplies to the nonprofit restaurant location. The restaurant can attend car and truck auctions to bid for transportation vehicles that can be used for restaurant operations. The restaurant can also make efforts to receive donations of vehicles from the surrounding community through local organizations such as Mid-State Auto Auction. Mid-State Auto Auction is an organization that assists people willing to donate automobiles to charitable organizations ([61]Mid-State Auto Auction, 2014). Rentals and leases of different transportation vehicles is also an option for the restaurant.

More specific transportation options include rental of U-Haul’s trucks and trailers at discounted rates for NPOs, and vehicles from the General Services Administration. Vehicles can also be purchased from police auctions as well as various private and public auctions. The restaurant also has the option to use personal vehicles for transportation purposes. NPOs have the option to receive donated vehicles through the Vehicle Donation Program (V-DAC).

When operating a restaurant, the restaurant uses a lot of supplies which are susceptible to inventory fraud. There are six ways that inventory fraud can occur. Inventory fraud can occur by double counting the inventory, capitalizing costs that should be expensed, cutoff problems, overestimating inventory, bill-and-hold sales, and cosigned inventory. Managers of restaurants should be wary of these various ways inventory fraud is committed, and make sure to find ways to minimize the risk of these frauds occurring ([10]Albrecht, 2012).

The NPO needs to have strong consistent policies and procedures and controls in place to prevent these types of fraud. Resources that an NPO can use to do this are the stepwise menus of policies and procedures for NPOs of four difference sizes ([2]Maguire, 2013), and the testing tasks for NPOs to self-assess compliance to the previously published stepwise menu of policies and procedures ([3]Maguire, 2014), both of which were discussed earlier in this paper. When employees know there are strong internal controls in place it decreases the perceived opportunity to commit inventory fraud or other types of fraud.

4.5.1 Recommendations

With respect to equipment, it is suggested that Palmetto Works and other NPOs look for donations of older equipment, including from other restaurants that are closing down. Another recommended option is to lease equipment. It is suggested that Palmetto Works and other NPOs obtain food from local and regional suppliers, community supported agricultural programs (CSAs), as well as donations from farmers. Also, it is recommended that Palmetto Works and other NPOs use the checklists that Food Service Resource provides to acquire office supplies and run the restaurant more efficiently. Lastly, in order to acquire transportation vehicles for restaurant use, it is recommended that Palmetto Works and other NPOs take advantage of donations from the community, rental discounts for NPOs from U-Haul, as well as bidding at car and truck auctions.

4.6 Types of Payment

There are many components to the different types of payment nonprofit restaurants can use in operations. The following are types we will discuss: cash, credit cards, checks, gift cards, mobile payment, coupons, pay it forward, and college credit.

Cash payments face the risk of embezzlement and counterfeit fraud schemes due to the nature of the transaction. Cash embezzlements include skimming schemes, which consist of an employee removing cash from the company before it enters the accounting system. Cash embezzlements can also consist of an employee ringing up sales for less than the actual amount of the transaction and pocketing the difference. Likewise, an employee can void a sale and in turn pocket the cash. Lastly, an employee has an opportunity to misappropriate company funds if he or she collects cash and also makes bank deposits ([62]Green, 2014).

Nonprofit restaurants have various types of credit card payment processing options given their status. The types within the scope of this research include: merchant accounts; third-party processors; commercial third-party processors; programs designed specifically for nonprofits; debit cards; and wireless credit card terminals. Examples of institutions that offer these types of services with applicable rates are in Appendix F: Payment (available from author upon request) ([63]Fritz, 2014).

In order to prevent restaurant fraud with regards to credit cards, you must first be aware of the types of fraud that can take place. Credit card skimming is a prevalent and fairly advanced fraud. It is also one of the most common theft trends in the Quick Service Restaurant industry. The cashier swipes the customer's credit card into a skimming device during credit card transactions. The information from the magnetic strip is captured and either used or sold, and your nonprofit restaurant is responsible for the fraudulent charges as a result of this scheme. Your nonprofit should take certain precautions in order to protect your nonprofit restaurant from this type of fraud. The first precaution is to engage in comprehensive loss prevention programs. They address the vulnerability of credit card theft and the ways it is committed. Next, you always want to train your employees with policies and procedures to educate them on how to properly handle credit cards. In addition, as with any organization, you want to have audits and reviews that address compliance ([64]LossBusters, 2013). Tips claimed by servers working in the nonprofit should always be authorized to ensure that the amount written is the amount given. Lastly, when employees are handling credit cards, they want to compare and match the account number on the credit card to the printed sales receipt. They also want to assure the credit card is returned to its rightful owner ([65]Visa, 2012).

We do not recommend accepting checks from customers for food payment. The reason being, there is a high risk for check fraud, checks returned for insufficient funds, or closed bank accounts, which all usually result in chargeback charges to the nonprofit organization. Whereas business-to-business payment by check has remained steady at 80%, payment by check volume decreased 26% overall from 2006-2010. During the same time period, fraud cost per check doubled from 1.8 to 3.6 cents per check written ([66]Check Guarantee, 2013). However, accepting checks from donors is acceptable. When depositing donor checks, mark them as 'for deposit only' and deposit them as soon as possible ([67]Hoover, 2010).

Your nonprofit can be a victim of fraud in a number of ways. Checks can be forged or reproduced. The amount payable to the payee can be changed and checks can be fraudulently cashed with various false identification methods. To avoid becoming a victim of such fraud, ask your bank for their suggested procedures for check fraud prevention, check stock considerations, and their reconciliation process recommendation. Follow and comply with their requests and recommendations. Your organization should also implement internal control procedures discussed in the aforementioned NPO Policies and Procedures white paper ([2]Maguire, 2013). We recommend that you use the NPO P&P Self-Assessment white paper to test the operation of your implemented policies and procedures ([3]Maguire, 2014). For the scope of this section, you should always run a background check, ensure two people are responsible for accounts payable, in addition to having a secure mailing system within the nonprofit's physical location ([68]Acom Solutions, 2003).

As the Internet becomes more and more a part of our daily life, giving to the nonprofit of a donor's choice through online means is an increasing trend. It has the appeal of an impulse buy for the nonprofit and is easy for busy donors. The donor can even set up recurring payments to the nonprofit if he or she so chooses. Examples of institutions that offer an online donation option with applicable rates are listed in Appendix F: Payment (available from author upon request) ([69]Wired Impact, 2014).

Gift cards are a type of payment that can be used in the nonprofit restaurant setting if properly set up and monitored. The nonprofit can obtain gift cards through a private label (store-only), private network, or a credit card network.

Fraud associated with gift cards is a common obstacle to overcome. A recent study suggests that many retailers' biggest concern with fraudulent use of gift cards is their employees. The switch is a scheme that employees use to switch a gift card balance from a remaining balance to a zero balance, which allows for the employee to have a gift card with a balance. Employees can also launder gift card money by post voiding the purchase of a gift card. Fraudsters can also collude with employees and reproduce fraudulent gift cards for personal gain. To prevent the nonprofit from loss and/or liability, certain precautions should be taken. First, protect PIN numbers with scratch off labels to prevent visibility. The nonprofit should also understand the process within its system of issuing, activating, and using a gift card. This can help determine and minimize risks. It is also beneficial to the nonprofit to keep gift cards displayed in a manner that is easily tracked while discarding used gift cards immediately. The nonprofit should take more of a step in discarding than just throwing it in the trash can adjacent to the cash register ([70]Kuchinskas, 2014).

Mobile payment is a method that is becoming more common given the increase in smart phones. This payment processing method helps to streamline the process along with providing efficient table turnover rates. Apps that facilitate such a transaction have additional features that allow the customer to split bills, calculate tips, and place their order without the server being present. The benefits of mobile payment are the opportunity for enhanced customer service by storing order history and preference, in addition to an efficient experience. The nonprofit restaurant can also manage real-time customer feedback ([71]TabbedOut, 2014).

Coupons are typically a good fit for organizations that are location based and are product oriented. This allows for customers to have quick and easy savings. When implementing the use of coupons, the nonprofit restaurant must be prepared to deal with heavier customer traffic in a quick and seamless manner. The nonprofit should also crunch the numbers and make sure that the discounts will not hurt them financially. Furthermore, the nonprofit should also develop a policy to ensure they will not incur losses due to excessive coupon use. Also, be aware of frauds related to coupon usage. Printing more than two coupons per computer, disregarding manufacturers' stipulations, and the use of expired coupons are all considered fraud ([72]Hamilton, 2013).

Pay it forward is a unique option for nonprofit restaurants with a few options that can be customized to fit the needs of the nonprofit. One option allows a customer to pay what they can afford, and if they are unable to pay, they can volunteer their time to help with something in the restaurant. Potential service duties include wrapping silverware, bussing tables, setting tables, cleaning, restacking, and doing dishes ([73]One Bistro, 2014). Alternately, a customer can pay the full amount of the suggested price or they can pay above the suggested price, ultimately contributing to someone else's bill. A customer can also volunteer his or her time for someone else to enjoy a meal. A point of accountability system is useful as it allows the customer to physically hand the donation to someone or something. That someone or something can be a cash register, a box with a slot or some other creative measure your nonprofit comes up with to facilitate pay it forward donations. It is useful because it reduces the number of people who would abuse the system otherwise ([74]Cerreta, 2012). Some drawbacks associated with the pay it forward option are the complexity of the differing transactions and that revenues are not steady or predictable ([75]Daks, 2013).

College cash and credit is a form of payment that is accepted off campus at participating retailers. An example of college cash/credit in the Conway area is CINO Cash provided

by Coastal Carolina University. It may be used at dining locations and non-food locations for purchases on and off campus ([76]Coastal Carolina University, 2014). Most universities in surrounding areas have something similar to Coastal Carolina University's CINO Cash.

The National Restaurant Association reports that theft and fraudulent transactions amount to 4% of industry sales ([77]Hamilton, 2013). To counteract this, there are several fraud prevention software packages any nonprofit can purchase and implement, such as Avero and Micros XBR ([78]MICROS, 2014).

4.6.1 Recommendations

Based on the aforementioned information, we recommend nonprofit restaurants use the following types of payment: cash, major credit cards, checks from donors only, private-label gift cards, smart phone web payment apps, coupons, college cash, and incorporate fraud detection software to support the use of each.

5 Conclusion

The key conclusion from this research is that the Palmetto Works vision for the C.H.O.P.S. restaurant is viable from every perspective we researched. If Palmetto Works agrees and wants to make their C.H.O.P.S. vision a reality they need to begin implementing their vision. The first logical step seems to be to name someone to be the leader/manager of the C.H.O.P.S. restaurant and charge that person with the responsibility to open the C.H.O.P.S. restaurant using some or all of these recommendations.

The general conclusion from this research is that the concept of a nonprofit restaurant is viable as a whole. If an NPO is interested in opening a nonprofit restaurant in their community, this research provides a set of recommendations that the NPO may choose to implement.

Working in collaboration with The Chapin Foundation, The Waccamaw Community Foundation, and The Frances P. Bunnelle Foundation, the output of these multi-stage research projects will assist NPOs achieve best practices in their "back room operations" now and as they grow. Achieving compliance with best practices for financial accountability, transparency, and board governance, the output of these projects facilitate the link between philanthropic leadership, charitable resources, and civic influence with community needs and opportunities.

The recommendation for the future is to continue to conduct research for NPOs that will provide education on how to achieve best practices. Research with the participation of Master of Accountancy graduate students at Coastal Carolina University provides the opportunity to assist the NPOs in several areas. Through the research, assistance can be provided to help NPOs achieve best practices for corporate governance, accounting, and auditing, and reduce the costs of attaining these goals.

This research process is intended to assist South Carolina NPOs achieve compliance with best practices for financial accountability, fundraising, and board governance. Essentially, by strengthening the financial knowledge and practices of South Carolina NPOs, donors will have more confidence, NPOs will have the ability to obtain the funding needed to reach their goals, achieving efficiency in "back-room operations" will increase effectiveness in "front-room operations," NPOs can build capacity, and continue

providing charitable services to our communities. This research provides a mutual benefit to both Coastal Carolina University and the South Carolina NPO community.

References

- [1] Palmetto Works. (2014). *Palmetto Works Community Development Corporation*. Retrieved from www.palmettoworks.com
- [2] Maguire, K. (2013). *South Carolina Nonprofit Policies and Procedures: Achieving Best Practices for NPOs of Different Sizes*. *Journal of Management and Sustainability*, 3 (3), 1-24.
- [3] Maguire, K. (2014). *Best Practices for Nonprofits' Internal Control Self-Assessment*. *Advances in Management & Applied Economics*, 4 (1), 41-87.
- [4] Maguire, K. (2013). *Mapping Nonprofits in Horry and Georgetown Counties of South Carolina*. Retrieved from Coastal Carolina University, Conway, SC, 2013
- [5] Internal Revenue Service. (2014). *Which forms do exempt organizations file?* Retrieved from [http://www.irs.gov/Charities-&-Non-Profits/Form-990-Series-Which-Forms-Do-Exempt-Organizations-File%3F-\(Filing-Phase-In\)](http://www.irs.gov/Charities-&-Non-Profits/Form-990-Series-Which-Forms-Do-Exempt-Organizations-File%3F-(Filing-Phase-In))
- [6] National Center for Charitable Statistics. (2014). *NCCS all registered nonprofit table wizard*. Retrieved from <http://nccsweb.urban.org/tablewiz/bmf.php>
- [7] National Restaurant Association. (2014). *2014 Facts at a Glance*. Retrieved from <http://www.restaurant.org/News-Research/Research/Facts-at-a-Glance>
- [8] Oxford University Press. (2007, November 12). *Oxford Word of the Year: Locavore*. Retrieved from <http://blog.oup.com/2007/11/locavore/>
- [9] Johnson, R., Tadlock, C., and Aussenberg, R. A. (2012). *The Role of Local Food Systems in U.S. Farm Policy*. Washington, DC: Congressional Research Service.
- [10] Albrecht, W.S., Albrecht, C.O., Albrecht, C.C., and Zimbleman, M.F. *Fraud Examination*, 4th Edition. Mason, OH: South-Western Cengage Learning, 2012.
- [11] Association of Certified Fraud Examiners. (2012). *2012 Report to the Nations*. Houston, TX: ACFE.
- [12] United States Department of Justice Civil Rights Division. (2010). *Information and Technical Assistance on the Americans with Disabilities Act*. Retrieved from <http://www.ada.gov/business.htm>
- [13] United States Food and Drug Administration, (2013). *Overview of FDA Proposed Labeling Requirements for Restaurants, Similar Retail Food Establishments and Vending Machines*. Retrieved from: <http://www.fda.gov/Food/IngredientsPackagingLabeling/LabelingNutrition/ucm248732.htm>
- [14] South Carolina Department of Health and Environment Control. (2005). *Food Safety and Security*. Retrieved from <http://www.scdhec.gov/administration/library/CR-006568.pdf>
- [15] National Restaurant Association. (2014). *11 Questions about Music Licensing*. Retrieved from <http://www.restaurant.org/Manage-My-Restaurant/Operations/Front-of-House/11-questions-about-music-licensing>
- [16] Pakroo, P. (2014). *What Type of Insurance Should a Nonprofit Buy*. Retrieved from <http://www.nolo.com/legal-encyclopedia/insurance-types-for-nonprofits-32393.html>
- [17] Internal Revenue Service. (2014). *Unrelated Business Income Tax*. Retrieved from <http://www.irs.gov/Charities-&-Non-Profits/Unrelated-Business-Income-Tax>

- [18] Academy for Technology and Academics. (2014). *Career Majors*. Retrieved from http://ata.horrycountyschools.net/pages/Academy_for_tech__Academics/Design_resources/EDT317_template/Shortcuts2928/Academics/CATE/culinary_arts
- [19] Tri-County Technical College. (2014). *Culinary Arts*. Retrieved from http://www.tctc.edu/Corporate_and_Community_Ed/Programs_and_Courses/Culinary_Arts.xml
- [20] Fedcap. (2014). *Culinary Training*. Retrieved from: http://www.fedcap.org/search/node/culinary_arts_program
- [21] National Restaurant Association. (2013). *NRA Launches Cooking and Baking Certificates*. Retrieved from <http://www.restaurant.org/News-Research/News/NRA-launches-cooking-and-baking-certificates>
- [22] Horry Georgetown Technical College. (2014). *Associate in Applied Science*. Retrieved from http://www.hgtc.edu/academics/academic_programs/Culinary_Arts.html
- [23] Culinary Institute of America. (2014). *Associate Degree in Culinary Arts: The Culinary Institute of America*. Retrieved from <http://ciachef.edu/associate-degree-culinary-arts-ny/>
- [24] Culinary Institute of America. (2014). *Bachelors Degree in Culinary Arts: The culinary institute of america*. Retrieved from <http://ciachef.edu/bachelors-degree-culinary-artss-ny/>
- [25] Johnson & Wales University. (2014). *Johnson & Wales University: College of Culinary Arts*. Retrieved from <http://www.jwu.edu/content.aspx?id=19586>
- [26] Atlantic International University. (2014). *Master of Culinary Arts: Masters Degree in Culinary Arts Course Online*. Retrieved from: <http://aiu.edu/master%20of%20culinary%20arts.htm>
- [27] Refuel Agency. (2014). *2013 College Explorer*. Retrieved from refuelagency.com
- [28] Patton-Lopez, M.M., Lopez-Cevallos, D.F., Cancel-Tirado, D.I., Vasquez, L. (2014). Prevalence and Correlates of Food Insecurity Among Students Attending a Midsize Rural University in Oregon. *Journal of Nutrition Education and Behavior*. Retrieved from www.jneb.org/inpress
- [29] Davis, B. and Carpenter, C. (2009). Proximity of Fast-Food Restaurants to Schools and Adolescent Obesity. *American Journal of Public Health*, Vol. 99 (No. 3), pp. 505-510.
- [30] National Restaurant Association. (2013). *Vacation Nation: How Tourism Benefits Our Economy*. Retrieved from http://www.restaurant.org/Downloads/PDFs/advocacy/20130507_tourism_house_nra_testimony_riehle
- [31] Anderson, K. (2013). *The number of us children living in single-parent homes has nearly doubled in 50 years: Census data*. Retrieved from <http://www.lifesitenews.com/news/the-number-of-children-living-in-single-parent-homes-has-nearly-doubled-in/>
- [32] Do Something (2014). *11 facts about education and poverty in America*. Retrieved from <https://www.dosomething.org/facts/11-facts-about-education-and-poverty-America>
- [33] National Philanthropic Trust. (2014). *Charitable giving statistics*. Retrieved from <http://www.nptrust.org/philanthropic-resources/charitable-giving-statistics/>

- [34] Covert, B. (2013, November 11). *The Four Biggest Economic Challenges Veterans Face*. Retrieved from <http://thinkprogress.org/economy/2013/11/11/2922311/veterans-economy/>
- [35] Lockhart, J. (2012). *4 reasons why your small business should hire an ex-convict*. Business Insider. Business Insider, Inc, 13 Jan. 2012. Web. 25 Mar
- [36] Grace Communication Foundation. (2014). *Gracelinks*. Retrieved from <http://www.gracelinks.org/>
- [37] NPTrust. (2013). *National Philanthropic Trust 2013 Donor-Advised Fund Report*. Retrieved from www.nptrust.org
- [38] Spaeder, K. (2014). *How to find the best location*. Retrieved from <http://www.entrepreneur.com/article/73784>
- [39] United States Department Of Transportation, Federal Transit Administration (2014). *Job Access and Reverse Committee Program (5316)*. Retrieved from http://www.fta.dot.gov/grants/13093_3550.html.
- [40] Internal Revenue Service. (2013). *Publication 535 Business Expenses*. Retrieved from <http://www.irs.gov/pub/irs-pdf/p535.pdf>
- [41] Miller, S. (2014). *Accounting for capital leases*. Retrieved from <http://www.nonprofitaccountingbasics.org/liabilities/accounting-capital-leases>
- [42] DiFranco, S. (2013). *Commercial real estate: Should you buy or lease your next space?* Retrieved from <http://carolinanewswire.com/news/News.cgi?database=columns.db&command=viewone&id=127>.
- [43] Internal Revenue Service. (2013). *Publication 527 Residential Rental Property Including Rental of Vacation Homes*. Retrieved from <http://www.irs.gov/pub/irs-pdf/p527.pdf>
- [44] Sanders, M. (2014). *Tax Deductions for Donating Office Space to a Nonprofit*. Retrieved from <http://smallbusiness.chron.com/tax-deductions-donating-office-space-nonprofit-10578.html>
- [45] Lee, S.K.S. (2003). *Capital and Operating Leases: A Research Report*. Retrieved from <http://www.fasab.gov/pdffiles/combinedleasev4.pdf>
- [46] Dinkytown. (2014). *Financial Calculators*. Retrieved from <http://www.dinkytown.net/>
- [47] Coastal Carolina University. (2014). *Demographics*. Retrieved from <http://www.coastal.edu/iraa/ir/demographics.html>
- [48] MyrtleBeach.com. (2014). *Myrtle Beach FAQ*. Retrieved from <http://www.Myrtlebeach.com/faq/>
- [49] Vacations Made Easy. (2014). *Vacation and Tourism Information from Myrtle Beach, SC*. Retrieved from <http://www.vacationsmadeeasy.com/Myrtlebeachsc/articles/vacationandtourisminformationformyrtlebeachsc.html>
- [50] Myrtle Beach Golf Secret/ (2013). *Getting to Know Myrtle Beach by Car!* Retrieved from <http://www.myrtlebeachgolfsecret.com/best-way-to-drive.htm>
- [51] Watral, J. (2010). *Fans for Life: Quick Serves find loyalty in the growing college crowd by opening on or near campuses*. Retrieved from <http://www2.qsr magazine.com/articles/exclusives/0210/college-1.phtml>

- [52] PR Web. (2014). *Marketing a Restaurant to College Students: Study breaks college media presents advanced, must-know strategies for effectively reaching the valuable demographic today*. Retrieved from <http://www.prweb.com/releases/StudyBreaks-College-Media/Restaurant-Marketing/prweb11272133.htm>
- [53] Abel, J.R., and Deitz, R. (2011). *Do Universities Increase their Region's Human Capital?* Retrieved from http://www.newyorkfed.org/research/staff_reports/sr401.html
- [54] Accounting Tools. (2014). *What is Inventory Shrinkage?* Retrieved from <http://www.accountingtools.com/questions-and-answers/what-is-inventory-shrinkage.html>
- [55] Parpal, M. (2014). *Conducting Inventory and Tracking Usage*. Retrieved from <http://www.foodservicewarehouse.com/education/restaurant-management-and-operations/conducting-inventory-and-tracking-usage/c28029.aspx>
- [56] Baltazar, A. (2011). *How to Prevent Alcohol Theft at Your Restaurant*. Retrieved from <http://www.fsrmagazine.com/content/how-prevent-alcohol-theft-your-restaurant>
- [57] Amo, T. (2014). *How to Prevent Employee Liquor Theft at a Bar*. Retrieved from <http://smallbusiness.chron.com/prevent-employee-liquor-theft-bar-40194.html>
- [58] Mealey, L. (2014). *Benefits of Leasing Equipment: When Leasing is the Best Option*. Retrieved from <http://restaurants.about.com/od/stockingarestaurant/a/Leasing.htm>
- [59] Nestly, M. (2010). *Food Politics*. Retrieved from <http://www.foodpolitics.com/tag/cscorporate-social-responsibility/>
- [60] Grace Communication Foundation. (2014). *Local and Regional Food Systems*. Retrieved from <http://www.sustainabletable.org/254/local-regional-food-systems>
- [61] Mid-State Auto Auction. (2014). *About Us: Mid-State Auto Auction*. Retrieved from http://www.midstateauctionsc.com/view/about_us
- [62] Greene, C. (2014). *Focus on Employee Fraud: Cash Embezzlements*. Retrieved from http://www.mcgovernagreen.com/archives/archive_articles/Craig_Greene_Archives/Focus-Employee_Frauds-Cash.html
- [63] Fritz, J. (2014). *Credit Card Processing Options for Nonprofit Organizations*. Retrieved from <http://nonprofit.about.com/od/onlinefundraising/a/creditcardhub.htm>
- [64] LossBuster. (2014). *The Real Costs of Fraud in Restaurants*. Retrieved from <http://www.lossbusters.com/loss-prevention/the-real-costs-of-fraud-in-restaurants.html>
- [65] VISA. (2012). *Visa Tips for Restaurant Staffs*. Retrieved from http://usa.visa.com/download/merchants/rest_staff.pdf
- [66] Check Guarantee. (2013). *Check Guarantee Statistics*. Retrieved from www.checkguarantee.com/check-fraud.php
- [67] Hoover, S. (2010). *A Standard Framework for the Management of Businesses and Non-Profits*. Endeavor Inc. Washington, D.C. Retrieved from http://www.copedia.biz/category_s/18.htm
- [68] Acom Solutions. (2003) *Check Fraud, The UCC, and You*. Retrieved from http://www.acom.com/micr_lib/UCC.pdf
- [69] Wired Impact. (2014). *How Your Nonprofit Can Accept Donations Online Right Now*. Retrieved from <http://wiredimpact.com/library/accept-donations-online-right-now>
- [70] Kuchinkas, S. (2014). *Safeguard Your Store Against Shoplifters*. Retrieved from <http://www.allbusiness.com/small-business-shoplifting/16706866-1.html>

- [71] TabbedOut. (2014). *Why TabbedOut?* Retrieved from <http://www.tabbedout.com/merchant/>
- [72] Hamilton, Z. (2013). *Theft Thursdays: Cash Coupon Abuse*. Retrieved from <http://www.averoinc.com/blog/more/restaurant-theft-thursdays-cash-coupon-abuse>
- [73] One Bistro (2014). *About Us*. Retrieved from <http://www.onebistro.org>
- [74] Cerreta, D. (2014). *Spirit in Business Guide for Starting a Community Cafe*. Retrieved from <http://www.oneworldeverybodyeats.org/wp-content/uploads/2011/12/Spirit-in-Business-Guide-2011.pdf>
- [75] Daks, M. (2013). *Pay-What-You-Can Concept Challenged by Thin Margins*. Retrieved from <http://www.thenonproffitimes.com/news-articles/pay-what-you-can-concept-challenged-by-thin-margins/>
- [76] Coastal Carolina University. (2014). *Cino Card FAQ's*. Retrieved from <https://www.coastal.edu/cinocard/faq.html>
- [77] Hamilton, Z. (2013). *Avero Loss Prevention Restaurant Software Attacks Fraud*. Retrieved from <http://www.averoinc.com/blog/more/avero-loss-prevention-restaurant-software-attacks-fraud>
- [78] MICROS Systems Inc. (2014). *XBR Loss Prevention*. Retrieved from <http://www.micros.com/Solutions/ProductsNZ/XBRLossPrevention/>