

Guidelines for Parish & Mission Gift Shops

August 2016

Many Archdiocesan parishes and missions have gift shops. They range in size from a small closet to a full size room. Most gift shops are run by volunteers with oversight by the parish business manager. The following guidelines should be considered for any parish or mission that has a gift shop.

GOVERNANCE- The parish gift shop should operate as a parish ministry under the Tax ID of the parish, and under the guidance of the pastor. For these operations to be tax-exempt per the IRS, they require:

- The store should only be available and promoted to parishioners as a service and convenience to propagate the faith.
- Hours of Operations should be limited to hours that coincide with primary religious/community services; that is, it does not compete with nearby commercial businesses.

Note: For-profit gift shops are prohibited from operating on Archdiocesan property, as they may jeopardize the tax-exempt status of the parish.

ACCOUNTING - Receipts collected from the gift shop should be deposited into a parish, mission or school operating bank account and recorded properly on the general ledger.

- Gift shop income and expenses may be booked to an exchange account or other income/expense, if generating income for the organization. As the proceeds are used by a ministry or the parish, the exchange account should be cleared out. Net proceeds can be used to offset ministry expenses, such as Religious Education. Net proceeds that are used to pay for parish operating expenses should be posted to Other Income/Expenses. Any adjusting journal entries should be approved by the pastor.
- The gift shop petty cash should be recorded on the balance sheet and reconciled regularly.

TAXES

- We recommend sales tax be paid on all inventory purchased for resale, to the extent that the items are purchased from a business that charges sales tax.
- If instead, the pastor makes the decision to pay state sales tax on the resale of items, rather than the purchase of inventory, the state sales tax should be remitted to the state in a timely manner, either monthly or quarterly.
- The parish will not be subject to Unrelated Business Income Tax if the bookstore “activity” meets the following: (a) substantially all of the work in operating the bookstore or gift shop is performed by volunteers and (b) the activity is conducted by the organization primarily for the convenience of its parishioners.

SALES & CASH RECEIPTS – Handling, managing and safeguarding cash is critical. The parish should consider the cash controls that are described in the Accounting Best Practices document on the AOA web site. A summary of these controls can be found at:

<https://archatl.com/offices/finance/policies-best-practices-procedures/>

- All sales should be receipted.
- When summarizing gift shop sales and funds, cash should be under dual-control and placed in tamper proof bags in the drop safe for inclusion in the Monday count process.
- If the pastor wishes to use a credit card processing device, it should be obtained through the parish's online giving vendor, such as Our Sunday Visitor, Vanco or ParishSoft. We do not recommend use of Apple's Square device, given the availability, and ease of potential fraudulent use.
- A reconciliation should be done between the gift shop sales/ receipts log and the deposits recorded in ConnectNow.

INVENTORY –

- The purchase of inventory for the gift shop should be paid for by check whenever possible, although online purchases may be paid for using a parish credit card. We recommend purchases be made directly from vendors, rather than reimbursing an individual for their expenses. The pastor should be involved and approve of inventory purchases. See Best Practices for more detailed guidelines.
- Product pricing of items should be established with a slight margin to cover costs (including shipping costs and sales tax).
- Inventory of the gift shop should be taken at least annually to help ensure accuracy of the gift shop exchange account. The inventory should be documented and records should be retained.
- The bookkeeper should conduct inventory spot checks periodically throughout the year.

VOLUNTEERS & VENDORS

- Screening of volunteers: remember to contact the HR Office at 404-920-7480 for proper procedures on screening volunteers who work with cash or in gift shops.
- When should you issue a 1099? Any vendors who are paid for services should be issued a 1099; vendors who provide tangible goods only (books, products, etc.) should not be issued a 1099.

RISKS - The risks associated with gift shops are incorrect valuation of inventory on the books, incorrect revenues, incorrect financial statements, theft, and sales tax issues.