



A Guide to Bookkeeping for Nonprofits With Paro

Learn how to drive your mission forward with bookkeeping services for nonprofits.

Nonprofits exist to build a better world.

If your mission is your foundation, think of accounting and bookkeeping as your bones. Solid books not only help protect what you've built by keeping you in good standing, they also position you to reach higher by helping you deftly track and deploy your money.

However, bookkeeping is a complex and time-consuming job. Learn how you can take your nonprofit accounting to the next level with Paro's fractional bookkeeping solutions.

The Importance of Bookkeeping for Nonprofits

Bookkeeping is core to any organization, whether it's a for-profit company or a nonprofit. It entails the timely tracking, reconciliation and reporting of transactions to fulfill your fiscal obligations, allowing you to:



Prepare reports for your board or the government for greater transparency and internal decision making.



Improve donor outreach with accurate, transparent numbers.



Swiftly **manage** payroll, tax and compliance obligations while capitalizing on tax deductions.

The Difference Between For-Profit and Nonprofit Accounting

Your mission is at the very center of your finance operation. Paro offers solutions powered by finance professionals with nonprofit expertise, so you can solve the challenges that are unique to operating a charitable organization. That starts with an understanding of how bookkeeping for nonprofit vs. for-profit differs.

FOR PROFIT BUSINESS

Purpose: to create equity for their owners.

They're **obligated to be profitable** for their owners and to comply with government regulation.

They **generate revenue** for any purpose.

They report their financial health on a **balance sheet, income statement & statement of cash flows.**

NONPROFIT ORGANIZATION

Purpose: to serve a collective, public or social benefit.

They're **obligated to be accountable** to their donors and beneficiaries.

They **generate revenue** that's restricted or unrestricted to a certain purpose.

They report their financial health on a **statement of financial position, statement of activities & statement of cash flows.**

Bookkeeping Support from Zero to Mission Accomplished

How can Paro support your bookkeeping through the full accounting cycle?

01

Implement the Right Method of Accounting

Ensure that your organization is using the right method to accurately track transactions and stay compliant.

Small nonprofits often use cash basis accounting due to ease, but an organization will need to transition to [accrual based accounting](#) as it grows. Another method is the fund accounting method, which tracks incoming cash and usage against its designated purpose.

02

Maintain Your Chart of Accounts

Nonprofits use a chart of accounts (COA), numbered by a standardized system for public transparency. For example:

- 1000s - Assets
- 2000s - Liabilities
- 3000s - Net Assets
- 4000s - Revenue
- 5000s+ - Expenses

A bookkeeper or accountant will also categorize activity according to your specific funds and functional areas. This COA helps to create key financial statements.

03

Streamline Financial Tracking and Reporting

Organize receipts for donations, payments, bank transfers, disbursements, petty cash, accounts receivable, accounts payable, etc.

Handle in-kind donations of time, goods or services.

Manage payroll taxes, benefit money and expenses as they relate to restricted assets.

Run financial reports by fund, project, fundraiser, mission trip and more.

04

Manage Purchasing and Invoicing

Generate purchase orders to prove compliance with spending restrictions.

Invoice for the deployment of goods, services and donations (even if you're not selling anything).

Invoice for earned revenue on membership subscriptions, tuition fees or merchandise sales.



05

Optimize Your Taxes

Complete Form 990, the filing for a federally tax-exempt nonprofit.

Maintain data for annual and quarterly reporting and auditing.

Manage fees related to the annual renewal of nonprofit status.

Monitor overhead to maintain your status.

06

Maintain Compliance

Nonprofits should follow the generally accepted accounting principles (GAAP) published by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA), which include:

Form FASB 116 around recording and reporting contribution revenue

Form FASB 117 requiring nonprofits to use the listed financial statements

Why “Work With What You Got” Doesn’t Work

When nonprofits can’t justify a full-time hire, the bookkeeping goes to whomever has bandwidth. But without the necessary skills, it’s difficult to properly satisfy the lion’s share of nonprofit accounting requirements.

✗ **The Founder or Executive Director**

The person with the vision is not the one you want in the weeds of your bookkeeping. One job requires high-level thinking and the other requires meticulous attention and accuracy.

✗ **Volunteer Bookkeepers**

Even if a qualified person offers their time, you need full accountability for your books and assurance that there’s someone available when you need them.

✗ **Employees & Volunteers**

These people signed up to make a difference, but they best serve your organization when they focus on their areas of strength and expertise.

✗ **Automated Software**

While some accounting software is designed for nonprofits, [automated functions need manual oversight](#) to ensure they catch errors and missed opportunities.



The Benefits of Outsourced Bookkeeping Services for Nonprofits

There is a way to benefit from a qualified bookkeeper without paying a full-time salary: by using [fractional talent](#).

Paro's flexible [full charge bookkeeping services](#) enable you to fulfill your obligations while keeping overhead low. Your Paro professional will help you:

- Ensure you get the special deductions and benefits you're entitled to.
- Create and maintain your COA.
- Avoid penalties for late or incorrect forms and filing fees.
- Comply with regulation, auditing and [payroll](#) requirements.
- Scale up for busier times of year, such as seasonal or event-based donation sprints.

SAVE TIME AND COSTS

Not only does Paro save you the [direct and indirect expenses of onboarding](#), it also saves time.

Our AI-matching technology is 20x more efficient than traditional recruitment, meaning you get the right expert in days, not weeks.

WORK WITH SOMEONE WHO GETS IT

At Paro, we use a rigorous interview and testing process to narrow our pool to the top 2%. With many of our experts having cut their teeth at the Big Four and top CPA firms, you get premium expertise for a fraction of the cost. Then, we apply unique AI-matching technology to find the right expert for you.



Nonprofit experience related to your specific domain



Knowledge of regulations and reporting requirements



Accounting software experience for your particular tech stack

3 Steps to Get Started

01 CHAT

Book a call with a Paro Solutions Consultant to assess your goals and challenges.

02 MATCH

We match our experts to the experience and skill sets you need.

03 LAUNCH

Your Paro team oversees kickoff to set you up for success.

From there, we make sure you get the most value from your partnership. Your Account Manager provides continuous support with a roadmap of recommendations to keep you on track with your mission.

→ **GET STARTED**

