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Not-For-Profit Finance: A Perfect Storm

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PRESENTED BY

Marie Brilmyer | Partner
John Cavalier | Partner

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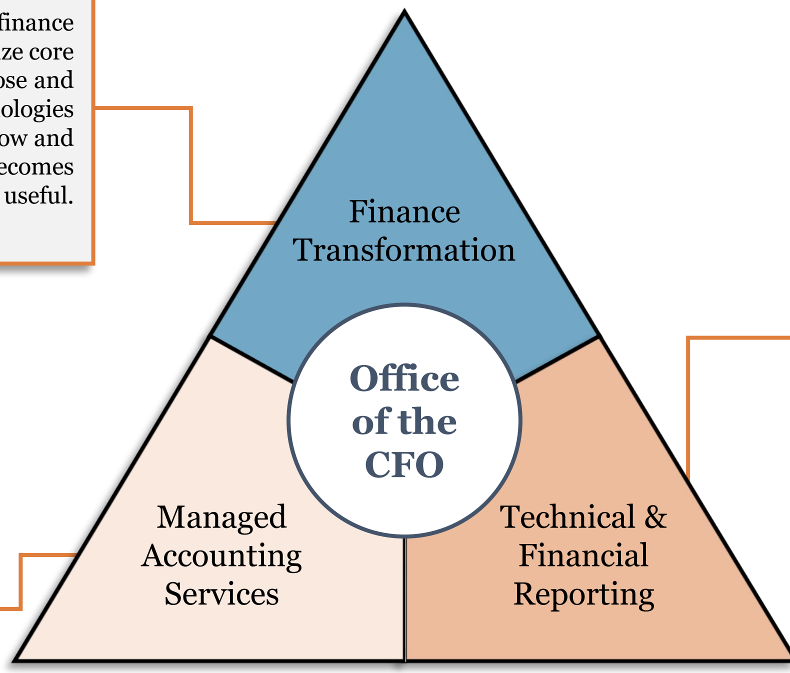
Cohen & Co’s ongoing support of not-for-profit organizations

Helps clients redesign the finance operating model, standardize core processes, optimize close and implement enabling technologies such as ERP, planning, workflow and analytics so the function becomes more efficient, scalable and useful.



Strengthens audit-ready and decision-ready reporting through technical accounting support, financial statement preparation, close improvement, internal control analysis, and documentation that makes complex or high-risk areas more compliant, defensible and transparent.

Provides flexible, scalable support across bookkeeping, AP, monthly reporting, financial statement preparation, FP&A and outsourced CFO needs, helping organizations fill resource gaps, stabilize operations and avoid the hire-and-fire cycle created by funding volatility and talent shortages.

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Polling Question #1

Accounting talent today is:

A. *Increasing*
B. *Declining*
C. *More enthusiastic than ever*
D. *Nowhere to be found*

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Talent Recession & Funding Free-Fall

Accounting Talent Shortage

653K

Licensed CPAs
Today

- 17% decline in accounting professionals from 2019 - 2022[1]
- 86% of accounting leaders struggle to hire and retain accountants[2]

Volatile and Shrinking Funding

36%

NFPs ran deficits
in 2024

- Highest rate in 10 years
- 52% have less than 3 months of cash on hand[3]

Regulatory Complexity

$1 Missed = $1 Lost

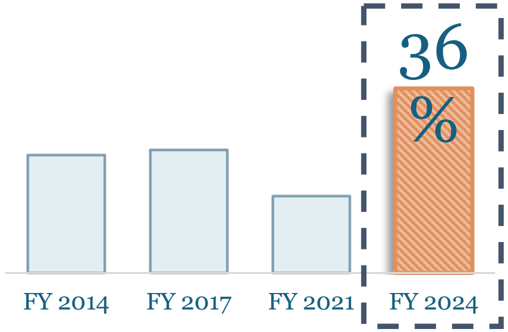
- No margin for errors in record-keeping
- Imprecise grant tracking means reimbursements don't get realized

Boiling Point

1: "Why So Many Accountants Are Quitting," *Wall Street Journal* 2022
2: Robert Half, 2025
3: Nonprofit Finance Fund, *2025 State of the Nonprofit Sector Survey* (n=2,206 organizations)

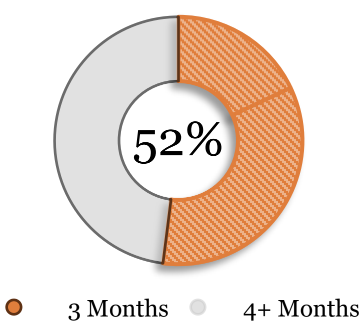
Trends Behind The Storm: An Industry Under Pressure

Operating Deficit Results Over Time



- 10-year high in operating deficits[1]
- 2021 dip was artificial - pandemic relief - not recovery
- Deficits now worse than pre-pandemic baseline
- Accelerating with government cuts and inflation compounding

Cash Runway Distribution (2024)



- 18% of NFPs have ≤1 month of cash
- Orgs with >6 months of cash declined from by 10% from 2022 to 2025
- 4+ months cash on hand is the exception, not the norm
- 55% experience gov. payment delays[2]

85%

Demand is expected to rise…

Funding isn't following.

[1]Nonprofit Finance Fund, *2025 State of the Nonprofit Sector Survey* (2025)
[2]Nonprofit Finance Fund, *2025 State of the Nonprofit Sector Survey* (2025)

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Polling Question #2

Key components of the finance operating model include:

A. *Grant management*
B. *Hire-to-retire*
C. *Data and technology*
D. *There's no such thing*

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The NFP Finance Operating Model

Process

Trend: Grant funding changes and challenges, i.e., federal funding disruption and changes

Pain: Aggressive state monitoring of pass-through funds means loss of poorly documented spend

Quick Win: Tighten the chart of accounts and real-time budget-to-actual tracking

Data& Technology

Trend: NFP-centric solutions (many w/AI capabilities) are bringing low code/complexity solutions

Pain: Aging systems and applications coupled with data quality becoming key gating constraint

Quick Win: Run a data-readiness pass before scaling any new platform

People & Org

Trend: De-coupling demand growth from resourcing needs

Pain: Finance talent is scarce, yet funding volatility forces lean teams to scale up and down

Quick Win: A flexible service delivery model deploying a stable core team plus flexible outsourced or co-sourced capacity

Process

Current Challenges We See

- F&A last place to invest (cost center)
- "This is how we've always done it"
- Ad-hoc is the norm
- Not sure what "good" looks like

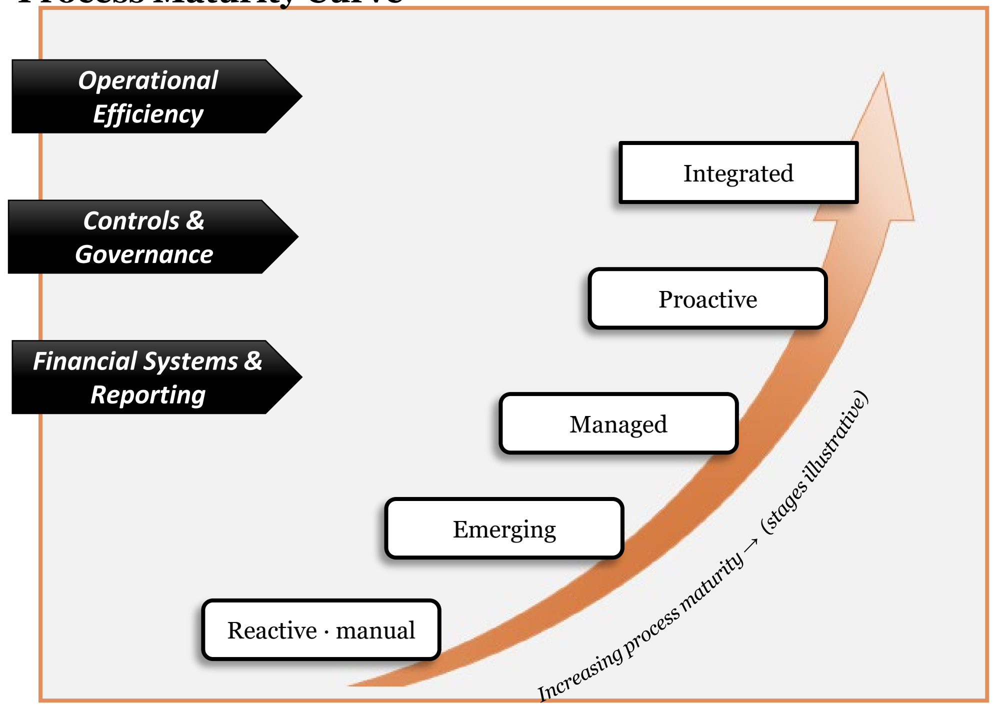
Future

- End-to-end process planning governance
- Improved process visibility through workflows and SOPs
- Automation and automated workflows
- Shift from manual compliance to proactive, audit-ready management (Controls / GRC planning)

Relevance

- Evolving standards and regulatory changes, i.e., single audit, GASB 103
- Cost reimbursement and pass-through grants challenges
- Cost pressures and turnover (52% of nonprofits hold ≤3 months cash; 36% ran a 2024 deficit — a 10-year high)

Process Maturity Curve



[1] 2 CFR Part 200 Subpart F -- Audit Requirements – eCFR
[2] Nonprofit Finance Fund, *2025 State of the Nonprofit Sector Survey* (2025)

Technology

Current

- Entry-level accounting software requiring work-arounds / offline reports
- Past technology investments failed to deliver ROI
- Real-time reporting and scenario planning remain out of reach
- Minimal integration of data sources and applications

Future

- ERP platforms are consolidating GL, grant tracking, automated workflows and reporting into a single system
- AI is moving from buzzword to embedded feature: auto-reconciliation, anomaly detection, forecasting and predictive cash flow
- The gap between tech-enabled and tech-lagging NFPs is widening fast

Relevance

- Finance teams are shrinking technology, must absorb the capacity gap
- Funders expect real-time financial visibility and outcome-linked reporting
- Dollars are sometimes available to support technology transformation

ERP Systems Landscape

EPM Systems Landscape

People and Organization

Current

- Shrinking and unpredictable funding requiring flexible resourcing
- Difficulty finding and retaining key roles
- Reluctance for long-tenured resources to evolve and embrace change

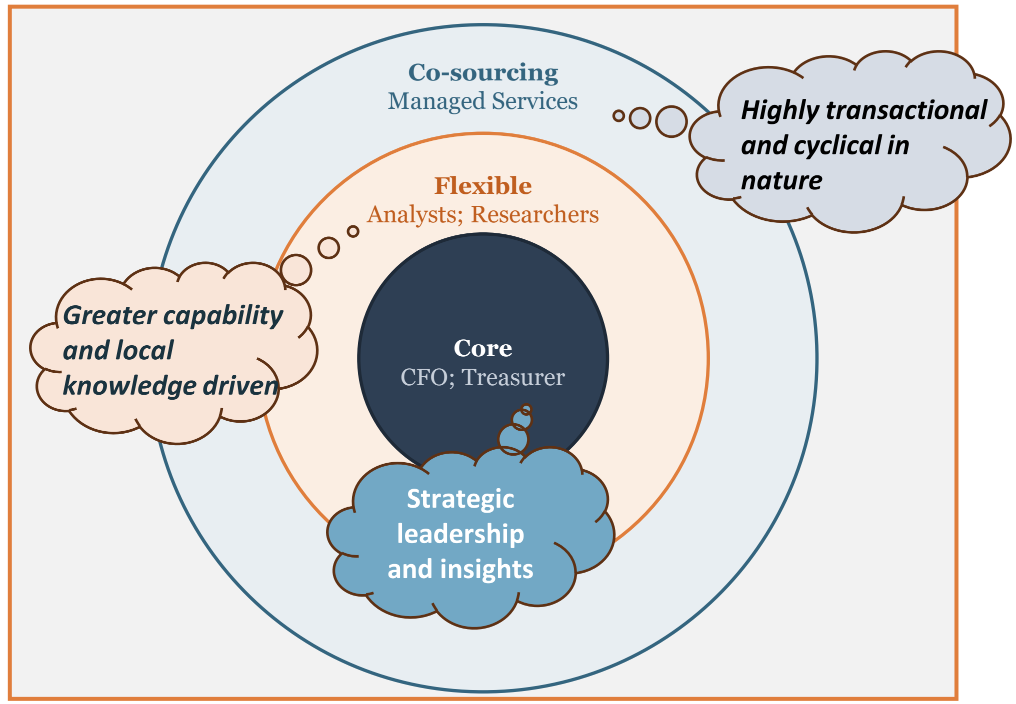
Future

- Flexible and optimally designed service delivery model → organization design → role planning and staffing
- Streamlined, efficient and automated processes via core tech and AI
- Well thought out change management and workforce transition plan

Relevance

- Co-sourcing of staff covers one-off projects without draining funds
- Job vacancies are prevalent in over 50% of NPFs, limiting execution
- Workforce burnout is a serious concern to 95% of NPF executives

Core & Flex Model



1. Nonprofit Capacity Building: Essential Guide | GCG, 2026

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Polling Question #3

What is not a key driver of finance process maturity?

A. *Operational efficiency*
B. *Controls and governance*
C. *Financial systems and reporting*
D. *Accounts payable*

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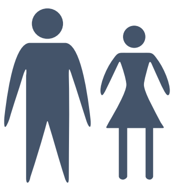
Case Study 1

Overwhelmed finance and accounting team struggling to meet stakeholder demands



Regional health and human service NFP organization

Process Quick Win

- ***Issues:*** Three business units operated on separate accounting systems with limited insights demanding high degree of accounting support.
- ***Action:*** Chart of accounts unified across all three units to enable better information sharing.
- ***Action:*** Harmonized data and processes were rebuilt and aligned across the units enabling sharing of resources.
- ***Outcome:*** Reporting became consistent and reliable with faster close time and less errors

Technology Enablement

- ***Issue:*** Disparate applications, data sources, and reporting caused gap in reporting and insights to manage the organization
- ***Action:*** Deployed a modern business intelligence and analytics platform.
- ***Action:*** Cleansed and consolidated data for more accurate analytics and better reporting.
- ***Outcome:*** Improved reporting capabilities and business insights across the enterprise.

Governance & Organization Backbone

- ***Issue: Disparate organization silos played havoc on internal F&A roles, controls and governance***
- ***Action:*** Established centralized, shared administrative services allowing sharing of resources.
- ***Action:*** Standard close checklists and SOPs to provide consistency in process and controls across processes and to help mitigate turnover risks.
- ***Outcome:*** Created a sustainable foundation allowing organization to respond rapidly to changes and better serve internal / external stakeholders.

Case Study 2

Global organization needed flexibility to respond to large funding changes

Global faith-based refugee resettlement NFP organization

People and Org Move

- ***Issue:*** Rapid growth across a dozen countries, coupled with large funding swings strained finance ability to effectively scale, support core processes and optimally plan for the future.
- ***Action:*** Optimized key processes included close, inventory management, payment and reimbursement processes, enabled through technology across countries to allow greater cohesiveness.
- **Action:** Developed detailed process workflows and standard operating procedures (SOPs).
- ***Outcome:*** More agile support for program delivery and improved responses to funding changes.

Technology Enablement

- ***Issue:*** Outdated systems slowed processing and delayed payments to key stakeholders.
- ***Action:*** Assisted in the selection and implementation of global ERP, procurement, expense and case systems to enable faster processing.
- ***Action:*** Deployed new EPM solution to streamline and optimize the budgeting and planning process.
- ***Outcome:*** Cut processing time, optimized reimbursements to reduce error and improve cash positions, and generally created a more efficient and scalable organization.

Governance & Organization Backbone

- ***Issue:*** Complex, multi-country funding and legal environment created unaligned organization.
- ***Action:*** Restructured finance into country-aligned delivery hubs with aligned processes and tech.
- ***Action:*** Built and sized teams to flex with grant cycles for more agile operations.
- **Action:** Actively planned for and managed global transformation, including supporting organizational change management needs
- ***Outcome:*** Compliance with global standards with room for local agility depending on needs.

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Polling Question #4

True or false: One advantage to co-sourcing is increased flexibility.

A. *True*

B. *False*

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Your Cohen & Co Consulting Contacts

John Cavalier
Partner – Office of the CFO
jcavalier@cohenco.com
216.774.1199

Marie Brilmyer
Partner
mbrilmyer@cohenco.com
330.255.4348

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Register at cohenco.com

Optimizing Opportunities in the State and Local Tax Landscape
Tuesday, July 28, 11 a.m. to Noon ET

Examining the Guidance: Key Technical Updates for CFOs & Controllers
Tuesday, August 11, 11 a.m. to Noon ET

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