Portfolio Uses & Sources Reconciliation

Resolving a multi-entity cash deficit across a development portfolio

ENGAGEMENT TYPE	ASSET CLASS	STRUCTURE	ANALYSIS WINDOW
Financial reconciliation & capital advisory	Mid-rise infill rental development	Four numbered corporations, multiple ledgers	Apr 2024 – Jan 2026 (21 months)

$12.40M	$14.25M	($1.61M)	$4.05M
Sources mobilised	Uses committed	Net portfolio deficit	Two-tranche facility

1. Engagement context

A private development sponsor engaged Lumenalis to determine why a portfolio of three active infill projects had run short of cash. The sponsor held title and debt across four numbered Ontario corporations, and capital moved between those entities through intercompany loans, principal advances, and family financing. No single ledger told the whole story. Each corporation kept its own books, and the operating company swept cash between projects as construction draws demanded.

The sponsor suspected a shortfall but could not size it. Lumenalis was retained to consolidate every source and use of cash across the four corporate books into one portfolio-level statement, locate the imbalance, quantify it, and recommend a financing structure that would let the projects reach completion and lease-up. The figures in this sample are real in magnitude; entity names, personal names, and street addresses have been replaced under the anonymisation protocol described in the closing note.

2. Method: exploratory reconciliation across books

The core difficulty was structural rather than arithmetic. Because capital crossed entity boundaries, a loan recorded as a source in one corporation often appeared as a use in another, and intercompany transfers risked being double-counted or lost. Lumenalis traced each material flow to its origin, tagged it to the corporation that bore the economic cost, and classified it as either advanced or committed-but-undrawn. Items awaiting documentary confirmation were flagged rather than assumed, and Harmonised Sales Tax (HST) recoveries were segregated from operating cash because their timing depends on filing cycles.

Two working statements were produced, dated 25 August and 2 December, so the reconciliation could be re-tested as new records surfaced. The control totals held across both dates, which gave the sponsor confidence that the deficit was real and not a bookkeeping artefact. The two statements appear, organised, in Sections 5 and 6.

3. Finding: a structural deficit of approximately $1.6M

Consolidated across the four books, the portfolio had mobilised roughly $12.40M of sources against $14.25M of committed uses. After accounting for committed-but-undrawn lines and items pending verification, the reconciliation isolated a net portfolio cash deficit of $1,612,691. The cost to carry the three core developments through to completion was a further $1,942,214. The shortfall was not the product of any single overrun; it accumulated from construction overages on two assets, development charges, additional carrying interest on a delayed asset, and HST outflows that preceded their offsetting recoveries.

Stated plainly: the projects were sound on a completed-value basis, but the portfolio would exhaust its cash before the assets could be finished, leased, and refinanced. Without new capital, construction would stall.

4. Resolution: a two-tranche equity facility

Lumenalis recommended a single two-tranche equity facility rather than a patchwork of further intercompany and family loans, which had become difficult to track and carried no clear repayment hierarchy. The facility committed approximately $4.05M, structured so that Tranche A funded the immediate equity requirement and Tranche B was drawn in stages against verified cost-to-complete.

Facility component	Status	Amount	Role in the resolution
Tranche A	Fully advanced	$2,775,000	Cleared the immediate equity requirement and restored working cash.
Tranche B — advanced	Drawn	$747,754	Funded verified cost-to-complete on the core developments.
Tranche B — undrawn	Committed	$527,483	Held as forward contingency, drawn only against documented need.
Total facility		$4,050,237	*Absorbs the $1.61M deficit and the $1.94M cost-to-complete with a contingency margin.*

The undrawn Tranche B is the structural insight: by committing capital the sponsor did not immediately spend, the facility gave the portfolio a buffer against the next overrun without paying carrying cost on idle funds. The projects continued.

5. Consolidated uses & sources statement

The statement below consolidates every source and use of cash across the four corporate books. It is the reconciled view common to both dated working files; the single difference between the 25 August and 2 December versions is isolated in Section 6. Monthly carrying cost is shown for interest-bearing sources. Amounts in parentheses are uses (cash out).

Table 1 — Sources of cash

Source	Capital type	Entity / allocation	Status	Amount	Mthly carry
Acquisition facility — Asset A	Senior debt	NumberCo-1 / Asset A	Advanced	$1,250,000	$9,115
Senior loan — Asset B (1)	Senior debt	Portfolio	Advanced	$2,320,000	$16,917
Senior loan — Asset B (2)	Senior debt	Portfolio	Advanced	$300,000	$2,187
Senior loan — Asset C	Senior debt	Portfolio	Advanced	$700,000	$4,812
Third mortgage — Asset B	Mezzanine	Portfolio	Advanced	$750,000	$5,938
Third mortgage — Asset B	Mezzanine	Portfolio	Undrawn	$250,000	$1,979
Equity Partner — Tranche A	Equity facility	Asset A	Advanced	$2,775,000	$21,212
Equity Partner — Tranche B	Equity facility	Asset A	Advanced	$747,754	$5,716
Equity Partner — Tranche B	Equity facility	Asset A	Undrawn	$527,483	$4,032
Private Lender 1	Private loan	Asset A	Pending		—
Capital return — prior project	Disposition / return	Portfolio	Advanced	$748,566	—
Asset F disposition (1 of 2)	Disposition	Portfolio	Received	$200,000	—
Asset F disposition (2 of 2)	Disposition	Portfolio	Pending	$300,000	—

Source	Capital type	Entity / allocation	Status	Amount	Mthly carry
HST input-tax-credit recovery (1)	HST recovery	Portfolio	Pending	$190,000	—
HST input-tax-credit recovery (2)	HST recovery	Portfolio	Pending	$240,000	—
Opening cash (Apr 2024)	Operating cash	Portfolio	—	$65,000	—
Asset E holdback release	Holdback	Portfolio	Received	$160,888	—
Asset E HST self-assessment refund	HST recovery	Portfolio	Received	$220,000	—
Family Lender 1 (joint)	Family loan	Portfolio	Advanced	$48,000	—
Related-party advance — Asset E	Related party	Asset E	Advanced	$45,888	—
Principal A — personal advance	Related party	Portfolio	Advanced	$25,000	—
Asset C construction advance	Intercompany	Portfolio	Advanced	$75,000	—
Related Entity D advance (Aug)	Related party	Portfolio	Advanced	$15,000	—
NumberCo-1 advance (Aug)	Intercompany	Portfolio	Advanced	$20,000	—
NumberCo-2 advance (Aug)	Intercompany	Portfolio	Advanced	$25,000	—
NumberCo-2 advance (Apr)	Intercompany	Portfolio	Advanced	$60,000	—
NumberCo-1 advance (Jul)	Intercompany	Portfolio	Advanced	$25,000	—
NumberCo-2 advance (Jun)	Intercompany	Portfolio	Advanced	$20,000	—
NumberCo-3 advance (Jun)	Intercompany	Portfolio	Advanced	$30,000	—
Related Entity D advance (Jun)	Related party	Portfolio	Advanced	$35,000	—
Recreational-property HELOC	Secured personal	Portfolio	Advanced	$70,000	—
Operating-company line of credit	Operating line	Portfolio	Advanced	$90,000	—
NumberCo-1 advance (Mar)	Intercompany	Portfolio	Advanced	$70,000	—
NumberCo-2 → OpCo (Aug)	Intercompany	Portfolio	Advanced	$15,000	—
NumberCo-1 → OpCo (Aug)	Intercompany	Portfolio	Advanced	$20,000	—
NumberCo-3 → OpCo (Jul)	Intercompany	Portfolio	Advanced	$73,595	—
NumberCo-1 → OpCo (Dec)	Intercompany	Portfolio	Advanced	$60,000	—
Family Lender 3	Family loan	Portfolio	Advanced	$200,000	—
NumberCo-1 → OpCo (Jun)	Intercompany	Portfolio	Advanced	$30,000	—
Recreational-property advance	Related party	Portfolio	Advanced	$10,000	—
Sources subtotal (stated control total)				$12,398,578	$71,907

Sources span four numbered corporations and the operating company. Intercompany advances (NumberCo-1 through NumberCo-3) are the lines that made the deficit hard to find: each is a real movement of cash, but none represents new external capital to the portfolio.

Table 2 — Uses of cash

Use	Category	Allocation	Amount
Development budget — Asset A	Development	Asset A	($6,182,296)
Development budget — Asset B	Development	Asset B	($3,858,488)
Development budget — Asset C	Development	Asset C	($886,526)
HST on hard + soft costs (A/B)	HST outflow	Portfolio	($430,000)
Asset F project costs	Other project	Asset F	($370,124)
Overrun — Asset B	Cost overrun	Asset B	($225,000)
Overhead allocation variance	Overhead	Portfolio	($225,200)
Overrun — Asset A (hydro)	Cost overrun	Asset A	($175,000)
Forward contingency (10% of CTC)	Contingency	Portfolio	($160,000)
Sundry rental properties (payables)	Operating	Portfolio	($149,147)
Development charges (A/B)	Soft cost	Portfolio	($141,787)

Use	Category	Allocation	Amount
Property taxes (A/B)	Holding	Portfolio	($128,911)
Additional carrying interest	Financing	Portfolio	($121,936)
Asset E costs to date	Other project	Asset E	($119,052)
Recreational property project	Other project	Asset J	($116,415)
Loan / financing costs	Financing	Portfolio	($115,443)
Principal payroll	Operating	Portfolio	($96,000)
Asset D costs	Other project	Asset D	($95,377)
Accounting firm	Professional fees	Portfolio	($83,326)
Outstanding corporate taxes (OpCo)	Tax	Portfolio	($78,000)
Carrying interest — Asset B delay	Financing	Asset B	($76,415)
Commercial mortgage advisory (exit)	Exit cost	Portfolio	($76,500)
Legal / admin (exit)	Exit cost	Portfolio	($55,000)
Building insurance	Holding	Portfolio	($38,400)
Office deferred costs	Operating	Portfolio	($34,000)
Uncategorised payables	Suspense	Portfolio	($34,371)
Related Entity D — property taxes	Holding	Related D	($29,000)
Appraisals (seven assets)	Soft cost	Portfolio	($23,800)
Asset G costs	Other project	Asset G	($22,210)
Lease-up costs	Lease-up	Portfolio	($20,000)
Post-occupancy deficiency reserve	Contingency	Portfolio	($20,000)
Asset F closing	Disposition cost	Asset F	($15,000)
Related Entity D — interest deficit	Financing	Related D	($15,000)
Liability insurance + WSIB (2 yrs)	Holding	Portfolio	($10,000)
ERP + systems (20 months)	Operating	Portfolio	($9,000)
Input-tax-credit audit (x3)	Professional fees	Portfolio	($7,200)
CMHC application fee	Financing	Portfolio	($6,800)
Uses subtotal			($14,250,722)

Reconciliation bridge

Line	Amount	Note
Sources subtotal (stated)	$12,398,578	Control total, net of undrawn and non-portfolio items.
Uses subtotal	($14,250,722)	All committed uses across the four books.
Net of line items	($1,443,549)	*Arithmetic sum of all rows.*
Verification & timing adjustments	($169,142)	Items flagged pending or re-allocated during tracing.
Net portfolio deficit	($1,612,691)	*The figure the facility was sized to resolve.*

The reconciling difference between the line-item sum and the stated control total reflects items deliberately held outside the portfolio count — undrawn facilities, dispositions pending settlement, and advances awaiting documentary confirmation. Surfacing and classifying these items was the substance of the engagement.

6. Snapshot comparison: 25 August vs 2 December

Re-testing the reconciliation three months later confirmed the control totals to the dollar. The only substantive change was the discovery of one further related-party financing: an advance of roughly $95,000 secured against Asset I, routed through a principal's personal borrowing and not visible in the August records. Its appearance illustrates why portfolio reconciliation across separate books is iterative — a flow can stay hidden until the right ledger is examined.

Measure	25 August	2 December	Change
Sources subtotal	$12,398,578	$12,398,578	No change
Net portfolio deficit	($1,612,691)	($1,612,691)	No change
Cost to complete (core A/B/C)	($1,942,214)	($1,942,214)	No change
Documented source lines	39	40	+1 related-party advance (Asset I)

7. Outcome

With the deficit sized and a clean financing structure in place, the sponsor proceeded. The two-tranche facility replaced an opaque web of intercompany and family loans with a single instrument that carried a defined repayment hierarchy and a built-in contingency. The three core developments continued to completion, and the portfolio retained the undrawn Tranche B as protection against the next variance rather than as cash sitting idle on interest.

The broader lesson generalises to any sponsor operating across multiple corporations: cash can appear adequate in each entity while the consolidated portfolio runs a material deficit. A disciplined, cross-book reconciliation is what makes the true position visible — and visibility is what makes a clean fix possible.

Anonymisation note. *This document is an illustrative sample derived from a real engagement. In accordance with the Personal Information Protection and Electronic Documents Act (PIPEDA, S.C. 2000, c.5), all personal names, corporate names, numbered-corporation identifiers, and property addresses have been removed or replaced with neutral codenames (Asset A–J, NumberCo-1–3, Related Entity D, Principal and Family Lender labels). Dollar figures are preserved unchanged to retain the analytical character of the work. Nothing herein identifies an actual person, corporation, or property.*