

# Comprehensive Financial Review & Organizational Analysis

**For:** Regent Park Neighbourhood Association (RPNA)

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## Executive Summary

The integration of the full financial and operational data reveals an organization at a critical juncture. The analysis uncovers a more pressing issue: **RPNA's primary financial activity is conducted "off-book" through trustee agreements.**

The ~\$225,000 in grants and expenses shown in the "Statement of Operations" have flowed through your trustees (YSM and TNG), not through your own corporate bank accounts. The cash balance of \$26,348.82 in your corporate account represents only a fraction of your true operational scale. The most significant finding is that this structure has created a **high-risk dependency on third-party trustees**, obscuring your financial picture, limiting your operational autonomy, and incurring substantial administrative costs (~\$37,500 to date). The recommended action plan must now prioritize bringing your financial operations in-house to align with your legal status as an incorporated non-profit.

## Enhanced Financial Health Analysis

<u>Component</u>	<u>Amount</u>	<u>Analysis &amp; Best Practices</u>	<u>Analysis with Full Context</u>
<b>Total Assets</b>	\$26,348.82	Highly liquid but lacks long-term assets.	<b>This is a residual cash balance.</b> The true scale of operations (~\$225k in SIIF grants) is not reflected here. Assets are likely understated as equipment purchases may be held by the trustees.
<b>Cash &amp; Cash Equivalents</b>	\$26,348.82	High liquidity; verify short-term investments.	Confirmed as pure "cash on hand." This is the organization's unrestricted, core fund. Its size is reasonable for a reserve but

<u>Component</u>	<u>Amount</u>	<u>Analysis &amp; Best Practices</u>	<u>Analysis with Full Context</u>
			insufficient to run major programs directly.
<b>Total Liabilities</b>	\$49.89	Minimal debt is positive.	Confirmed. Minimal direct corporate liabilities.
<b>Net Assets</b>	\$26,298.93	Non-compliant classification.	<b>Critical Confirmation:</b> The use of "Retained Earnings" and "Profit" is incorrect for an NPO. Must be reclassified to "Net Assets Without Donor Restrictions."
<b>Equity - Profit/Loss</b>	-\$19,486.04 (for the year)	Operating at a deficit; unsustainable.	<b>This deficit is misleading.</b> It reflects only transactions in the corporate account. The organization has been fully funded to deliver on its mandates via trustees, as shown in the Statement of Operations.

## Key Findings & Risks

### 1. The Trustee Dependency Model

- **Finding:** RPNA relies entirely on larger organizations (YSM, TNG) to receive and administer its primary government grants (SIIF, Tenant Protection Fund). These trustees handle payroll, process expenses, and charge administration fees (10% with YSM, 15% with TNG).
- **Implication:** While this provides administrative support, it creates a **structural barrier to financial maturity and autonomy**. RPNA cannot build its own financial track record directly with funders, and a significant portion of grant funding is lost to admin fees (e.g., \$22,500 on the \$225k grant alone).

## 2. Financial Reporting

- **Finding:** The corporate "Statement of Financial Position" and the project-based "Statement of Operations" (for SIIF) are disconnected. There is no consolidated view of RPNA's entire financial activity.
- **Implication:** The Board cannot see the full picture. It is impossible to assess the organization's total health, total revenue, total expenses, or true cost of delivering programs. This violates a core principle of fiduciary duty.

## 3. Erosion of Grant Funding through Administration Fees

- **Finding:** The administration fees paid to trustees represent a substantial loss of resources that could otherwise be directed to community programming. The 5% fee increase from YSM (10%) to TNG (15%) reflects rising costs.
- **Implication:** This model is financially inefficient and unsustainable for long-term growth. It reduces the impact of every dollar raised.

## 4. Non-Compliant Financial Statements

- **Finding:** As previously identified, the corporate financial statements do not comply with Canadian accounting standards for non-profits regarding net asset classification and the absence of a full set of statements.
- **Implication:** This creates compliance risks and reduces transparency for potential donors and grantors who wish to review the corporation's official financials.

### **Prioritized Action Plan**

The previous plan remains valid but must be re-sequenced with a new, critical first step.

#### **Phase 0: Strategic Financial Autonomy**

*Goal: To transition RPNA from a trustee-dependent project to a financially autonomous organization.*

- **Immediate Action: Open a corporate business bank account** under the RPNA incorporation number.
- **Key Task: Develop a "Financial Autonomy Roadmap"**. This involves working with funders (such as the City of Toronto) to secure future grants directly, building internal capacity to manage payroll and bookkeeping in-house (using modern, low-cost software), and creating a plan to wind down the trustee model.

- **Deliverable:** A phased plan to bring the next major grant cycle in-house within 12-18 months, saving tens of thousands in admin fees.

### **Phase 1: Diagnostic & Financial Consolidation**

*Goal: To build a single, complete, and compliant set of financial records for the entire organization.*

- **Key Task:** Work with TNG and YSM to obtain complete financial reports for all projects administered on RPNA's behalf for 2023 and 2024.
- **Key Task:** Consolidate the trustee-managed project finances with the corporate bank account finances to create a **true organization-wide Statement of Activities and Statement of Financial Position.**
- **Key Task:** Restructure the chart of accounts and reclassify net assets as previously outlined.
- **Deliverable:** A single, compliant set of financial statements that tells the complete story of RPNA's finances.

### **Phase 2: Analysis & Strategic Sustainability**

*Goal: To leverage the complete financial picture to build a sustainable future.*

- **Key Task:** Analyze the true, fully allocated cost of delivering programs, including the "hidden cost" of trustee fees.
- **Key Task:** Develop a **multi-year funding strategy** that reduces reliance on a single funder and diversifies revenue streams (e.g., donations, membership drives, fee-for-service workshops).
- **Key Task:** Create a realistic budget for the upcoming year that includes the potential transition to in-house operations.
- **Deliverable:** A 3-Year Sustainability Plan and a draft Reserve Policy to protect the organization's \$26,348 core fund.

### **Phase 3: Implementation & Governance**

*Goal: To formally present findings and implement new systems and policies.*

- **Key Task:** Deliver a final comprehensive report and present it to the Board.
- **Key Task:** Implement the new chart of accounts in accounting software and provide training.

- **Deliverable:** A fully empowered Board with the tools and understanding to govern an autonomous, financially healthy organization.

### **Conclusion**

The RPNA is not a small organization with a \$26,000 budget. You are a significant community entity managing hundreds of thousands of dollars in resources. The current trustee model served a vital purpose in your early development, but it is now holding you back. The path forward is clear: **achieve financial autonomy**. By doing so, you will unlock more funding for your mission, gain full control over your operations, and build a transparent, sustainable organization worthy of the community you serve.

### **Indemnification**

Each party (the "**Indemnifying Party**") shall indemnify, defend, and hold harmless the other party (the "**Indemnified Party**"), its affiliates, and its respective officers, directors, employees, agents, and representatives from and against any and all claims, damages, losses, liabilities, costs, and expenses (including reasonable attorneys' fees) arising out of or in connection with **a) the Indemnifying Party's breach of this Agreement**, or **b) the negligence or willful misconduct of the Indemnifying Party**, its employees, or its agents.

Provided, however, that the Indemnifying Party's obligations are contingent upon the Indemnified Party: (i) providing the Indemnifying Party with prompt written notice of the claim; (ii) granting the Indemnifying Party sole control of the defense and settlement of the claim (provided that the Indemnifying Party may not settle any claim that imposes liability or admission of fault on the Indemnified Party without prior written consent); and (iii) providing all reasonable assistance, at the Indemnifying Party's expense, in the defense of such claim.

Sincerely,

**Rodney Evely, FCMC**

Executive Lead, CMC Canada Pro Bono Program