

Executive Summary of
Report into

Rebuild Project

Prepared for

Finchley Reform Synagogue

October 2020



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Executive Summary

The focus of our engagement was to review the Rebuild Project's finances and all assumptions underpinning the forecasts, and to comment on the Synagogue's ability to finance the Rebuild Project. We have reviewed all the assumptions in the forecasts, and they do not appear unreasonable. As with any project of this nature there are numerous risks – from a financial perspective the main risk is that the assumptions do not turn out to be accurate and an unexpected funding shortfall arises. This is particularly relevant to the Synagogue's Rebuild Project given that there are assumptions on an increased surplus from the kindergarten, and increased investment income from the Shofar daycare nursery, which may or may not prove accurate. To the extent the assumptions do not turn out to be accurate there could well be a funding shortfall in excess of that already identified by the Synagogue or which could impact upon the Synagogue's ongoing operations. We are aware that, in the event of a shortfall impacting the Synagogue's ongoing operations, the Synagogue's leadership has drawn up mitigation plans.

We have been presented with numerous spreadsheets including a detailed analysis of projected income and expenses over the next 25 years, an analysis of Rebuild Project income and costs during the construction phase and a detailed analysis of expected pledges with payment dates. The key consideration when planning a major undertaking such as the Rebuild Project is cash, specifically whether the Synagogue will have sufficient cash to fund the Rebuild Project, including servicing any debt taken on. As the adage goes, '*cash is king*'. We therefore make the following key recommendations before any firm decision is made as to proceed with the Rebuild Project:

- / A more detailed cashflow forecast is prepared with monthly cash inflows and outflows at least till the end of the construction phase of the Rebuild Project, with annual cash inflows and outflows thereafter until the mortgage is repaid in 2046. This should include all the Synagogue's cashflows – both from the Rebuild Project as well as ongoing operations. We have seen forecasts along this line, but the cashflow forecast provided did not include operational cashflows or the mortgage servicing cashflows.
- / The various spreadsheets presented to us are independent and are not linked. For example, there is a separate spreadsheet (called the 'redemption schedule') which lists all pledges made by members showing the expected month the donation will be made but this does not feed into the central projection. We recommend that all information is fed into one central spreadsheet so that when changes are made the cashflow forecast will be immediately updated.
- / The cashflow projection should have clearly stated assumptions which can be flexed by anyone reviewing the spreadsheet so that the reviewer can immediately understand the impact on cash if certain assumptions are changed. This will allow a comprehensive sensitivity analysis to be undertaken. Assumptions were clearly stated in the projections provided to us, but they did not allow for any sensitivity analysis to be undertaken.

Although beyond the scope of our review we have prepared a spreadsheet which may form the basis of the required cashflow forecast – though it should be extended so that cashflows during the construction phase are shown monthly. It contains separate tabs for each of the various spreadsheets which contain data required by the cashflow projection and assumptions are clearly stated allowing sensitivity analysis to be performed. We make no representation that this spreadsheet will suffice for your purposes of making a final decision as to proceed with the Rebuild Project.

We understand that the Synagogue's membership is aware that, in addition to the funding shortfall of £350k, which will need to be closed before completion can be achieved, there may be the need for a cashflow facility to bridge the period between the construction phase and the last of the pledges being received. We understand that plans are in place to approach financial lenders for a short-term facility to provide sufficient working capital for the construction phase of the Rebuild Project, as well as plans to fund the total funding shortfall of £350k.

Important Note

This report has been prepared for Finchley Reform Synagogue (the “**Synagogue**”) and covers the findings from our review of the finances in connection with the Synagogue’s intended rebuilding of the synagogue premises (the “**Rebuild Project**”). This report has been prepared following our scrutiny of information provided by the Synagogue.

Our investigations were limited to those matters set out in, and our work was carried out in accordance with, our letter of engagement dated 7 October 2020 and this report should be read in conjunction with that letter.

The scope of our investigations was limited to reviewing the Synagogue’s finances in connection with the Rebuild Project as set out in paragraph 1.1 of our letter of engagement and we do not report on matters outside the scope of our investigations. In particular we do not report on non-financial items. Nor are we able to comment on the sufficiency or otherwise of the budgeted Rebuild Project costs as we are not experts in construction matters.

This report is confidential and is not to be distributed to other parties without our prior written consent. Regardless of whether such consent has been granted, this report is provided without acceptance by Berg Kaprow Lewis LLP of any responsibility whatsoever to any recipient other than the Synagogue and any use such other recipient wishes to make of this report is entirely at the recipient’s own risk.

Berg Kaprow Lewis LLP neither owes nor accepts any duty to any party other than the Synagogue for the information contained in this report and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any other party’s reliance on our report.

We are not experts on construction, legal or regulatory matters. We have not reviewed the Company’s legal agreements or considered regulatory issues. Nor can we comment on the construction plans and the associated costs.

The scope of our review was substantially less than an audit conducted in accordance with auditing standards. Consequently, we may not have discovered matters that may have come to our attention if we had undertaken an audit.

There is no guarantee that all matters of significance to you will be disclosed by our investigation. It is your responsibility to determine whether the areas we have covered, and the extent of our investigations, are adequate for your purposes and we make no representation in this regard.

In general, unless otherwise stated in this report we have relied upon explanations given to us by the Synagogue’s directors and other key personnel associated with the Rebuild Project without seeking to verify against evidence from independent sources or otherwise.