



FORENSIC AUDIT REPORT

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Forensic Accounting Report: Business Interruption Loss Analysis

Prepared for: Orion Casualty Insurance

Prepared by: McKenzie Forensic Auditors, Inc.

Lead Forensic Accountant: Nathaniel McKenzie

Client: Crescent Print & Packaging Co.

Policy Number: ORI-478231B

Report Date: July 16, 2025

Loss Period: January 15, 2025 – April 30, 2025

Claim Reference: Business Interruption Loss from Machinery Fire

1. Executive Summary

Crescent Print & Packaging Co. sustained a significant business interruption following a machinery fire on **January 14, 2025**, which halted operations for over 14 weeks. The purpose of this report is to quantify the **economic loss** incurred during the interruption period, specifically in the form of **lost net profits** and **continuing operating expenses**, as defined by the insurance policy.

2. Scope of Engagement

McKenzie Forensic Auditors, Inc. was engaged by **Orion Casualty Insurance** to perform an **independent forensic accounting analysis** of the business interruption claim submitted by Crescent Print & Packaging Co., in accordance with policy provisions and generally accepted forensic accounting standards.

3. Methodology

We followed a four-step approach:

1. Review of Financial Records:

- Monthly income statements (Jan 2023–May 2025)
- Tax returns (2022–2024)
- General ledger and payroll records
- Insurance policy terms

2. **Establishment of Baseline Performance:**
 - Identified average monthly revenue and gross profit prior to the loss
 - Adjusted for seasonal fluctuations and growth trends
 3. **Loss Period Calculation:**
 - Evaluated repair and recovery timeline
 - Verified operational capacity resumption on **May 1, 2025**
 4. **Lost Profits & Expense Analysis:**
 - Calculated actual vs. expected revenues
 - Deducted variable expenses
 - Added continuing fixed expenses
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4. Findings

A. Estimated Lost Revenues

- Projected Monthly Sales (based on 2024 avg.): **\$145,000/month**
- Actual Sales During Loss Period: **\$22,500 total**
- Estimated Lost Revenue:
 $(\$145,000 \times 3.5 \text{ months}) - \$22,500 = \$485,000$

B. Less: Avoided Variable Costs

- Cost of goods sold, shipping, variable payroll
= \$157,800

C. Add: Continuing Operating Expenses

- Rent, insurance, administrative salaries, depreciation
= \$112,500
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◆ Total Business Interruption Loss Estimate

= \$439,700

5. Assumptions & Limitations

- All data was provided by the insured and verified against supporting documentation to the extent possible.
 - The loss period ends at operational capacity restoration, not accounting for long-term client attrition.
 - Projections assume no major deviations from pre-loss performance.
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6. Conclusion

Based on our analysis, the estimated business interruption loss suffered by Crescent Print & Packaging Co. during the specified period is **\$439,700**, consisting of net lost profits and fixed operating expenses. This calculation aligns with the provisions set forth in the business interruption section of policy ORI-478231B.

We are available to provide further clarification or testimony, if required.

Prepared by:

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