



Managing the Lifeblood of Contracting – Cash Flow



Introduction

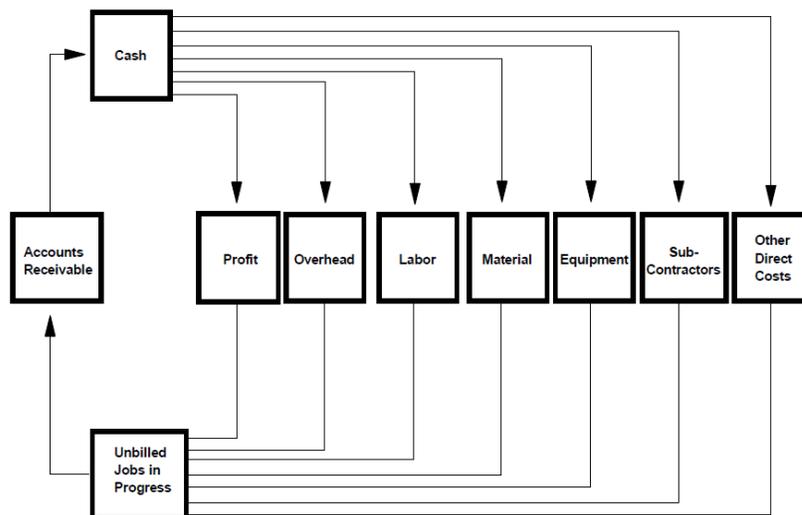
Maxim Consulting Group Overview

 Management Consulting	 Lean Transformations	 Peer Groups	 Corporate Finance Advisory
<ul style="list-style-type: none"> Strategic Planning Operational Excellence Technology Integration Training & Development 	<ul style="list-style-type: none"> Supply Chain Management Design Standards Enterprise Scheduling Process Standardization 	<ul style="list-style-type: none"> Electrical Mechanical Fire Protection General Contractor Heavy Civil Utility 	<ul style="list-style-type: none"> Mergers & Acquisitions Advisory Equity & Debt Financing Ownership Transition Management Succession Captive Insurance

Agenda

- Do you have a cash flow problem?
- Best Practices that improve cash flow
- Cash Demand
- Cash Flow and IGR

The Cash Flow Cycle



Cash Flow equals cash receipts minus cash payments over a given period of time

Do you have a cash flow problem?

- How much working capital should your business have?
- Do you regularly monitor key ratios?
 - Current Ratio
 - Quick Ratio
 - Working Capital (times, % and dollars)
 - Net Sustainable Growth Rate Over / Under Billings (net 10% overbilled)
 - Project Cash Flow Analysis (cash positive by 25% complete)
 - Debt to Equity (and other debt covenants)
 - Borrowing base (beware of bonded AR)
 - Net line utilization
- How much equity does your firm need to be properly capitalized?
- Working capital
 - 7-12% of revenue
 - Why the scale?
- Current ratio 1.5 to 1
- Quick ratio 1.0 to 1
- Working capital turns 8-12x
- Overbilling at net 10%
- Projects cash positive at 25% complete
- Debt to equity ratio at 2.5 to 1 or less

The Irony

- More contractors go bankrupt due to cash flow than profitability!!!!
 - Most firms publish financials (BS & IS) monthly or quarterly
 - Very few firms regularly produce a statement of cash flows based on the current financials
 - Even fewer produce forward looking cash projections
 - Fewer still produce project level cash projections

(see Appendix A for Forecasting & Cash Flow Analysis)

Best Practices to Improve Cash Flow

- Schedule of Values
- Billings and Collections
- Leveraging Trade Credit
- Cash Demand
- Sustainable Growth Rate (SGR)

Schedule of Values

- Effective SOV preparation is the single largest impact a Project Manager can have on cash flow.
- Goal should be to get paid for overhead/profit as quickly as possible.
- Do not unbalance labor activities as this may have negative impact during dispute or claim.

Schedule of Values

- Advantages
 - Owner can plan for cash outlays
 - Provides a format for which the GC can verify progress
 - Confirms value of work upfront one time
 - Gives an easy format to bill against
 - Greatly increases your ability to over bill
- Disadvantages
 - If done incorrectly can cause cash flow problems throughout the project
 - Gives information about the project budget to the GC and owner
 - Takes time and creativity to do it right

Building Effective SOV's

- Identify phases of work to break out separately for billing categories
 - No lump sum bills
 - Mobilization, submittals, detailing and etc to be included
- Review estimate for estimated costs in each phase of work
- Review schedule for sequencing of phases
- Place as much costs in the early phases of the project in order to front load the values
- Break out systems and material packages for separate billing categories

(see appendix A for sample SOV worksheet)

SOV Defined Standards

- Standard preconstruction items
 - Preconstruction Planning
 - Contract review/revise/execution
 - Budgeting/SOV Preparation
 - Layout
 - Detailing
 - Engineering
 - Material Procurement
 - Subcontractor Procurement
 - Submittal preparation
 - Fabrication
 - Kitting

WHY CHOOSE THESE TYPES OF ITEMS?

SOV Minimum Frontloading Percentage

- Obstacles to overcome
 - Retainage
 - Payment terms (actual, not contractual)

SOV Advantages

When done well, the SOV:

- Allows for large billings up front
- Drives cash flow sooner
- Removes the need to “lie” or overinflate billings on field labor items (verifiable items)

Billings

- How to effectively Bill a project
 - Review existing costs for labor material and DJE
 - Identify additional costs of each through end of month
 - Evaluate % complete of budget
 - Mark up corresponding Billing item with %
 - Follow above steps (a-d) for each line item on bill.
 - Verify total billing amount meets or exceeds “Billing calculator” amount (See Calculator)
 - Call client, review the bill and get verbal approval
 - Walk large jobs with client/owner/ owner’s rep if req’d

Minimum Billing Amount

Minimum billing amount = Earned Revenue + 20% CTD

Total contract amount	\$1,000,000
Cost to Date	\$500,000
Cost to Complete	\$300,000

$$\% \text{ Complete} = \frac{\text{Cost to Date}}{\text{Cost to Date} + \text{Cost to Complete}}$$

Earned Revenue = % complete x contract \$

Billing Calculator

Contract amount including change orders	\$ 1,000,000
Projected cost at completion	\$ 800,000
Projected cost at month end	\$ 500,000
Minimum to be billed for the month	\$ 725,000

Contract amount including C/O's	Total job projected cost	projected cost at month end	% complete
\$ 1,000,000	\$ 800,000	\$ 500,000	63%
minimum billing			\$ 725,000.00
note: minimum billing is % complete on project + 20% of cost			
This is just a double check to make sure we are billing an adequate amount on our schedule of values			

Financial Talent

- The difference between a project manager and a project witness is their ability to effectively manage the \$
- What % of your staff could do the above calculations without the formulas or assistance?
- There is a tremendous lack of financial training in our industry

Collections

- Collections are the PM's responsibility, not Accounting!
 - Payments are usually with held due to:
 - Billings requiring revision
 - No lien releases
 - Lack of documentation as required
 - Late bills
 - Close out documentation
 - Asbuilts, O & M's etc

Cash Collections and Profit

Job Budget and Cash Flow Analysis		
Direct Job Costs		
Labor	\$375,227	
Material	\$345,081	
Equipment	\$167,464	
Subcontracts	\$101,100	
Other direct costs	\$43,860	
Total Direct Costs	\$1,032,732	
Overhead 14%		\$144,582
Total Cost		\$1,177,314
Profit 6%		\$70,639
Total Sell		\$1,247,953

Cash Flow - 30 Day Payment Terms											
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Total
Billing Amount	\$35,009	\$107,297	\$130,312	\$220,607	\$338,540	\$272,548	\$143,640				\$1,247,953
10% Retainage	(\$3,501)	(\$10,730)	(\$13,031)	(\$22,061)	(\$33,854)	(\$27,255)	(\$14,364)				(\$124,795)
Retainage Billed							\$124,795				\$1,123,158
Net Billing Amount	\$31,508	\$96,568	\$117,280	\$198,546	\$304,686	\$245,293	\$254,071				\$1,247,953
Funds Received:		\$31,508	\$96,568	\$117,280	\$198,546	\$304,686	\$245,293	\$254,071			\$1,247,953
Total Direct Job Costs	\$11,172	\$76,889	\$97,811	\$179,898	\$287,110	\$227,117	\$137,000	\$15,735			\$1,032,732
Overhead	\$20,654	\$20,654	\$20,654	\$20,654	\$20,654	\$20,654	\$20,658				\$144,582
Total Expenses Out	\$31,826	\$97,543	\$118,465	\$200,552	\$307,764	\$247,771	\$157,658	\$15,735			\$1,177,314
Net Cash Flow	(\$31,826)	(\$66,035)	(\$21,897)	(\$83,272)	(\$109,218)	\$56,915	\$87,635	\$238,336			\$70,639
Cumulative Cash Flow	(\$31,826)	(\$97,861)	(\$119,759)	(\$203,030)	(\$312,248)	(\$255,333)	(\$167,697)	\$70,639			

Cash Flow - 30 Day Payment Terms						
	Month of Project					Total
	4	5	6	7	8	
Billing Amount	\$220,607	\$338,540	\$272,548	\$143,640		\$1,247,953
10% Retainage	(\$22,061)	(\$33,854)	(\$27,255)	(\$14,364)		(\$124,795)
Retainage Billed				\$124,795		\$1,123,158
Net Billing Amount	\$198,546	\$304,686	\$245,293	\$254,071		\$1,247,953
Funds Received:	\$117,280	\$198,546	\$304,686	\$245,293	\$254,071	\$1,247,953
Total Direct Job Costs	\$179,898	\$287,110	\$227,117	\$137,000	\$15,735	\$1,032,732
Overhead	\$20,654	\$20,654	\$20,654	\$20,658		\$144,582
Total Expenses Out	\$200,552	\$307,764	\$247,771	\$157,658	\$15,735	\$1,177,314
Net Cash Flow	(\$83,272)	(\$109,218)	\$56,915	\$87,635	\$238,336	\$70,639
Cumulative Cash Flow	(\$203,030)	(\$312,248)	(\$255,333)	(\$167,697)	\$70,639	

Cash Collection and Profit (continued)

Cash Flow - 60 Day Payment Terms											
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Total
Billing Amount	\$35,009	\$107,297	\$130,312	\$220,607	\$338,540	\$272,548	\$143,640				\$1,247,953
10% Retainage	(\$3,501)	(\$10,730)	(\$13,031)	(\$22,061)	(\$33,854)	(\$27,255)	(\$14,364)				(\$124,795)
Retainage Billed							\$124,795				\$1,123,158
Net Billing Amount	\$31,508	\$96,568	\$117,280	\$198,546	\$304,686	\$245,293	\$254,071				\$1,247,953
Funds Received:		\$0	\$31,508	\$96,568	\$117,280	\$198,546	\$304,686	\$245,293	\$254,071		\$1,247,953
Total Direct Job Costs	\$11,172	\$76,889	\$97,811	\$179,898	\$287,110	\$227,117	\$137,000	\$15,735			\$1,032,732
Overhead	\$20,654	\$20,654	\$20,654	\$20,654	\$20,654	\$20,654	\$20,658				\$144,582
Total Expenses Out	\$31,826	\$97,543	\$118,465	\$200,552	\$307,764	\$247,771	\$157,658	\$15,735			\$1,177,314
Net Cash Flow	(\$31,826)	(\$97,543)	(\$86,957)	(\$103,984)	(\$190,484)	(\$49,225)	\$147,028	\$229,558	\$254,071		\$70,639
Cumulative Cash Flow	(\$31,826)	(\$129,369)	(\$216,326)	(\$320,311)	(\$510,794)	(\$560,019)	(\$412,991)	(\$183,432)	\$70,639		

Cash Flow - 60 Day Payment Terms						
	Month of Project					Total
	5	6	7	8	9	Total
Billing Amount	\$338,540	\$272,548	\$143,640			\$1,247,953
10% Retainage	(\$33,854)	(\$27,255)	(\$14,364)			(\$124,795)
Retainage Billed			\$124,795			\$1,123,158
Net Billing Amount	\$304,686	\$245,293	\$254,071			\$1,247,953
Funds Received:	\$117,280	\$198,546	\$304,686	\$245,293	\$254,071	\$1,247,953
Total Direct Job Costs	\$287,110	\$227,117	\$137,000	\$15,735		\$1,032,732
Overhead	\$20,654	\$20,654	\$20,658			\$144,582
Total Expenses Out	\$307,764	\$247,771	\$157,658	\$15,735		\$1,177,314
Net Cash Flow	(\$190,484)	(\$49,225)	\$147,028	\$229,558	\$254,071	\$70,639
Cumulative Cash Flow	(\$510,794)	(\$560,019)	(\$412,991)	(\$183,432)	\$70,639	

Cash Flow - 90 Day Payment Terms											
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Total
Billing Amount	\$35,009	\$107,297	\$130,312	\$220,607	\$338,540	\$272,548	\$143,640				\$1,247,953
10% Retainage	(\$3,501)	(\$10,730)	(\$13,031)	(\$22,061)	(\$33,854)	(\$27,255)	(\$14,364)				(\$124,795)
Retainage Billed							\$124,795				\$1,123,158
Net Billing Amount	\$31,508	\$96,568	\$117,280	\$198,546	\$304,686	\$245,293	\$254,071				\$1,247,953
Funds Received:		\$0	\$0	\$31,508	\$96,568	\$117,280	\$198,546	\$304,686	\$245,293	\$254,071	\$1,247,953
Total Direct Job Costs	\$11,172	\$76,889	\$97,811	\$179,898	\$287,110	\$227,117	\$137,000	\$15,735			\$1,032,732
Overhead	\$20,654	\$20,654	\$20,654	\$20,654	\$20,654	\$20,654	\$20,658				\$144,582
Total Expenses Out	\$31,826	\$97,543	\$118,465	\$200,552	\$307,764	\$247,771	\$157,658	\$15,735			\$1,177,314
Net Cash Flow	(\$31,826)	(\$97,543)	(\$118,465)	(\$169,044)	(\$211,196)	(\$130,491)	\$40,888	\$288,951	\$245,293	\$254,071	\$70,639
Cumulative Cash Flow	(\$31,826)	(\$129,369)	(\$247,834)	(\$416,878)	(\$628,075)	(\$758,565)	(\$717,677)	(\$428,726)	(\$183,432)	\$70,639	

Cash Flow - 90 Day Payment Terms						
	Month of Project					Total
	6	7	8	9	10	Total
Billing Amount	\$272,548	\$143,640				\$1,247,953
10% Retainage	(\$27,255)	(\$14,364)				(\$124,795)
Retainage Billed		\$124,795				\$1,123,158
Net Billing Amount	\$245,293	\$254,071				\$1,247,953
Funds Received:	\$117,280	\$198,546	\$304,686	\$245,293	\$254,071	\$1,247,953
Total Direct Job Costs	\$227,117	\$137,000	\$15,735			\$1,032,732
Overhead	\$20,654	\$20,658				\$144,582
Total Expenses Out	\$247,771	\$157,658	\$15,735			\$1,177,314
Net Cash Flow	(\$130,491)	\$40,888	\$288,951	\$245,293	\$254,071	\$70,639
Cumulative Cash Flow	(\$758,565)	(\$717,677)	(\$428,726)	(\$183,432)	\$70,639	

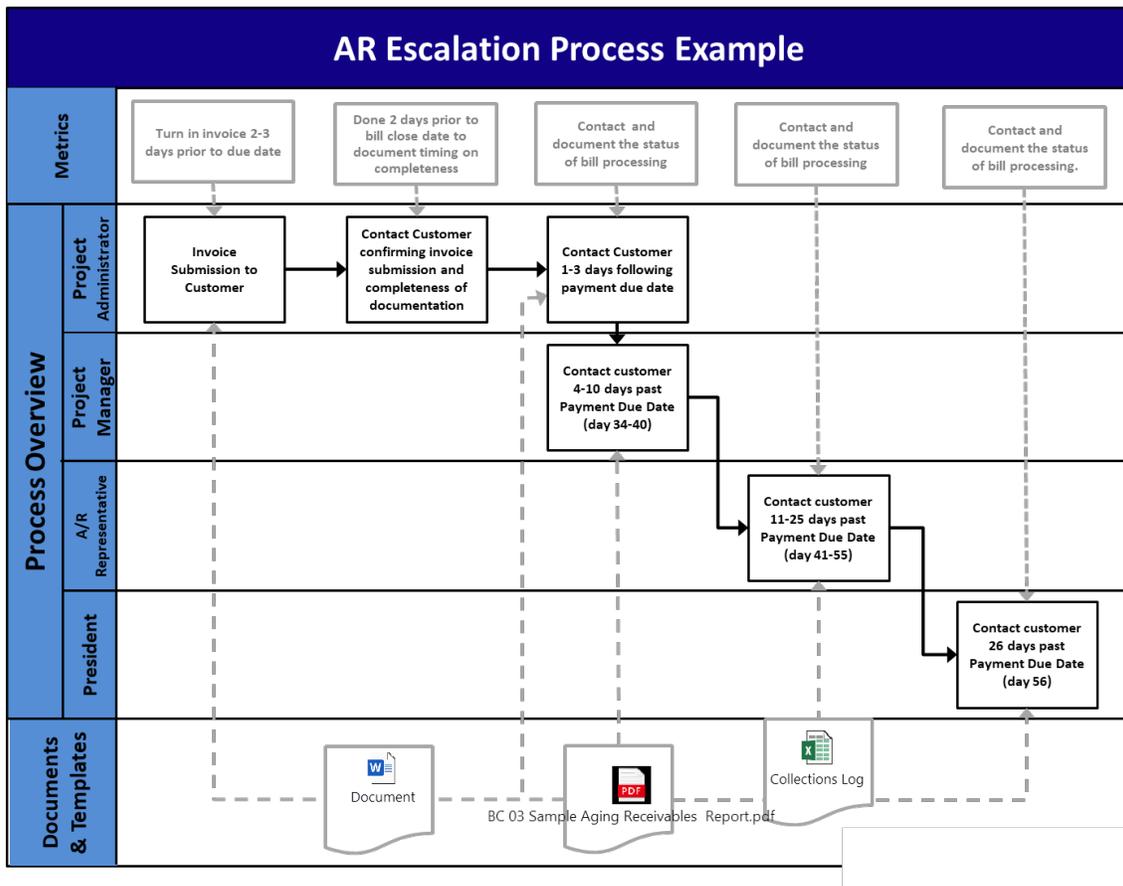
Managing the Lifeblood of Contracting – Cash Flow

Cost of Capital – Assuming 12% Alternative Investment Return

	Monthly Cost of Capital										Total
	1	2	3	4	5	6	7	8	9	10	
30 Day Term	(\$318)	(\$979)	(\$1,198)	(\$2,030)	(\$3,122)	(\$2,553)	(\$1,677)	\$0	\$0	\$0	(\$11,878)
60 Day Term	(\$318)	(\$1,294)	(\$2,163)	(\$3,203)	(\$5,108)	(\$5,600)	(\$4,130)	(\$1,834)	\$0	\$0	(\$23,651)
90 Day Term	(\$318)	(\$1,294)	(\$2,478)	(\$4,169)	(\$6,281)	(\$7,586)	(\$7,177)	(\$4,287)	(\$1,834)	\$0	(\$35,424)

Collection Strategies

- Implement formal internal escalation process
- Communicate non-payment and obtain customer commitment to pay
- Appoint an internal “bird dog” (\$3M in 30-days)
- Include DSO as performance metric for Project Managers
- Charge PM’s interest on negative cash position
- Automate using report runner, notifier function, my assistant, SSRS, etc.



Why Invoices are Held Up

- Disputed quantities or percentage of work complete
- Defective work
- Non-payment to subs or vendors
- Damage to owner or other subcontractor
- Evidence that work won't finish by contract completion date and retention won't cover LDs
- Insurance/bonding requirements not met
- Necessary documentation not provided

Recovery of Past Due Receivables

<u>Days Past Due</u>	<u>Percent Recovered</u>
30 Days	97%
90 Days	90%
120 Days	80%
180 Days	67%
1 Year	45%
2 Years	23%
3 Years	12%

Remember: Old receivables get older!!!

Leveraging Trade Credit

- Material
 - Verify receipt/condition of material prior to payment
 - Negotiate favorable terms with vendors/suppliers
 - Be wary of contractor discounts for prompt payment
 - Pay with credit card when possible
- Subcontractors
 - Ask for schedule of values broken out by work activity
 - Review payment/draw schedule prior to commencement of work
 - Time subcontractor invoicing so it can be submitted immediately with monthly invoice to GC/owner
 - Utilize pay when paid provisions
 - Hold retention if appropriate

Cash Demand Period

(see Appendix A for Cash Demand Worksheet)

Sustainable Growth Rate (SGR)

- SGR is the annual percentage increase in sales, which is consistent with a stable debt and capital structure
 - i.e. where total debt / net worth ratios do not change significantly or materially from year to year
- SGR is a single number, which, if a company's sales expand at a rate greater than, will result in an out-of-equilibrium situation
 - The company's debt / net worth ratio will rise
 - When this happens, the firm approaches an over-leverage position, which raises the possible problems of liquidity and debt repayment

SGR Calculation

$$\text{SGR} = \frac{p(1-d)(1+L)}{t} - [p(1-d)(1-L)]$$

$$p = \text{net income} / \text{total sales} = 6,734,092 / 69,419,170 = 0.097$$

$$d = (\text{cash dividends} + \text{stock dividends}) / \text{net income} = (0 + 6,078,217) / 6,734,092 = 0.9026$$

$$L = \text{total Liabilities} / (\text{net worth} - \text{intangibles}) = 21,259,7750 / (13,718,927 - 0) = 1.5497$$

$$t = \text{total assets} / \text{total sales} = 34,978,677 / 69,419,170 = 0.5039$$

$$\text{SGR} = 0.097(1-0.9026)(1+1.5497) / 0.5039 - [0.097(1-0.9026)(1-1.5497)]$$

$$\text{SGR} = 0.0473$$

Three Strategies to Improve SGR

- Speeding cash flow
- Reducing costs
- Raising prices

Factors that Affect SGR

- Income taxes
- Depreciation and asset replacement
- Investing in additional fixed assets
- Investing in R&D and marketing
- Different product lines within a business

Other Cash Flow Considerations

- Best 98% Contractor in town?
- Punch list strategies (internal, interim, final)
- Lease vs. Purchase Decisions
- Secondary Banking Relationships (WF Departure?)
- Understand your WACC and incorporate into changes and claims
- Modified depreciation methods
- Maximize section 179D deductions
- Credit Memo in Lieu of Retention
- Chubb R-Score Factor

“Final” Billing Strategy

- Put the money in the last regular progress billing
- Keep the final billing amount small
- Delay “final” billing if substantial progress is made and collection may be difficult. Make it a progress billing
- Set up separate contract or PO for last minute changes
- Ask for approval of the final billing in advance
- Use waiver of lien rights as leverage

What if you don't get paid?

- Work stoppage or slowdown
- Use lien rights
- The payment bond
- Notice requirements
- Negotiate a settlement
- Arbitrate
- Litigate

Speaker Bio



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Career History

- Maxim Consulting Group
Director
(2011-current)
- Turnupseed Electric
Division Manager
(2010-2011)
- A-C Electric Company, Inc.
Division Manager
(1998-2010)
- Gates Electric Company
(1985-1998)

Background

Stephane McShane is a Director at Maxim Consulting Group responsible for the evaluation and implementation processes with our clients. Stephane works with construction related firms of all sizes to evaluate business practices and assist with management challenges. With a large depth of experience working in the construction industry, Stephane is keenly aware of the business and, most specifically, operational challenges that firms face. Her areas of expertise include: Leadership development, executive coaching, organizational assessments, strategic planning, project execution, business development, productivity improvement, and training programs. Mrs. McShane is an internationally recognized speaker, mentor, author, and teacher. Her ability to motivate, inspire, and create confidence among your work groups is extremely rare and very effective.

Professional and Industry Experience

Stephane possesses the rare combination of talent from being in the field as an apprentice, electrician, foreman, then working her way through each operational chair within a successful electrical construction firm. Her ability and drive defined her to be "best in class" at each position held. This talent is what makes her tremendously effective at operational and organizational assessments today. She has successfully conquered every operational position from being an estimating trainee through executive management. She has built, trained, and led her teams to become the undisputed leaders in their markets. She is able to quickly identify organizational positives and negatives and assess appropriate action steps and throughputs.

Appendix A – Example Files

STATEMENT OF CASH FLOWS	1
FORECASTING.....	2-4
CONTRACT CASH FLOW ANALYSIS.....	5
SOV WORKSHEET	6
CASH DEMAND WORKSHEET.....	7

Statement of Cash Flows

XYZ Construction Company

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net Income	\$ 6,734,092	\$ 17,619,643	\$ 8,045,583	\$ 4,701,106	\$ 2,817,094
Depreciation	637,990	625,092	500,967	448,634	461,348
Ammortization	-	-	-	-	-
Other Adjustments to Reconcile Net Income	(172,907)	46,270	334,115	(59,350)	(530,394)
(Increase) Decrease in Assets					
Accounts Receivable	(8,725,022)	14,676,488	(6,265,483)	(4,088,557)	2,227,190
Materials inventory	-	-	-	-	-
Cost and est. earnings in excess of billings	(211,273)	(266,878)	279,132	(93,519)	53,356
All other current assets	(797,215)	(118,533)	(124,497)	85,685	54,549
Increase (Decrease) in Liabilities					
Accounts Payable	3,610,714	(6,136,511)	2,793,646	3,753,776	(942,356)
Billings in excess of costs and est. earnings	(3,279,191)	(20,364,638)	5,659,237	10,020,302	6,425,448
Accrued expenses and liabilities	370,070	61,013	351,049	263,113	(145,887)
All other current liabilities	-	-	-	-	-
All other non-current liabilities	-	-	-	-	-
Other Items, Net	-	-	-	-	-
Cash Flows from Operating Activities	\$ (1,832,742)	\$ 6,141,946	\$ 11,573,749	\$ 15,031,190	\$ 10,420,348
Sale (Purchase) of Marketable Securities	(819,656)	(736,156)	(1,099,510)	(542,349)	(427,870)
Proceeds from Sale of Plant or Equipment	91,926	41,100	33,399	10,850	-
Acquisitions of Plant or Equipment	-	-	-	-	-
Sale (Purchase) of Land	-	-	-	-	-
Other Investing Activities, Net	4,988,400	(1,070,171)	659,731	(9,117,053)	(628,849)
Cash Flows from Investing Activities	\$ 4,260,670	\$ (1,765,227)	\$ (406,380)	\$ (9,648,552)	\$ (1,056,719)
Proceeds from Short-term debt	-	-	-	-	-
Proceeds from Long-term Debt	(320,000)	-	-	-	-
Reduction in Long-term Debt	-	-	-	-	-
Net changes in Stock	-	-	-	-	-
Dividends	(6,078,217)	(12,000,000)	(6,400,000)	(3,900,000)	(1,200,000)
Other Financing Activities, Net	-	109,558	-	-	-
Cash Flows from Financing Activities	\$ (6,398,217)	\$ (11,890,442)	\$ (6,400,000)	\$ (3,900,000)	\$ (1,200,000)
Net Increase (Decrease) in Cash	(3,970,289)	(7,513,723)	4,767,369	1,482,638	8,163,629
Cash and Cash Equivalents at Beginning of Year	9,957,063	17,470,786	12,703,417	11,220,779	3,057,150
Cash and Cash Equivalents at End of Year	5,986,774	9,957,063	17,470,786	12,703,417	11,220,779

XYZ Contractor
Twelve Week Lookahead Cash Forecast
For Period Beginning June 1, 2013

Weeks beginning on Monday	FORECAST 1-Jun	FORECAST 8-Jun	FORECAST 15-Jun	FORECAST 22-Jun	FORECAST 29-Jun	FORECAST 6-Jul	FORECAST 13-Jul	FORECAST 20-Jul	FORECAST 27-Jul	FORECAST 3-Aug	FORECAST 10-Aug	FORECAST 17-Aug	Total Cash Flow - In (Out)
Balance Forward	5,666,699	6,703,357	6,095,626	6,665,652	6,840,092	7,749,365	7,760,320	7,759,146	7,813,908	7,717,301	7,659,080	7,623,132	0
Cash Receipts:													
Accounts Receivable	1,584,082	1,022,183	910,926	1,058,797	1,402,879	1,007,260	827,024	845,130	867,994	800,000	818,797	800,000	11,945,071
Other	0			0									0
Other misc receipts													0
Est'd Pay Requests - Current Mo	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Cash Receipts	1,584,082	1,022,183	910,926	1,058,797	1,402,879	1,007,260	827,024	845,130	867,994	800,000	818,797	800,000	11,945,071
Cash Disbursements:													
Accounts Payable													
Subcontractors	0	225,986	27,172	193,466	69,199	0	105,084	231,992	60,741	0	0	0	913,641
Supplier 1	0	16,529	0	11,358	0	0	0	0	0	0	0	0	27,887
Supplier 2	16,642	59,907	0	45,501	0	0	0	0	0	0	0	0	122,050
Supplier 3	3,444	11,238	0	25,737	0	0	0	0	0	0	0	0	40,419
Supplier 4	12,708	113,542	0	104,687	0	0	0	0	0	0	0	0	230,937
Supplier 5	0	45,329	0	22,300	0	0	0	0	0	0	0	0	67,629
Supplier 6	2,394	8,713	0	16,246	0	0	0	0	0	0	0	0	27,353
Supplier 7	0	11,605	0	11,675	0	0	0	0	0	0	0	0	23,280
All other vendors	94,509	297,201	5,000	20,000	22,000	0	0	0	0	0	0	0	438,710
A/P not accrued at month end	3,830	35,094	28,913	4,300	4,300	650,930	43,300	94,300	359,300	444,300	159,930	204,300	2,032,797
Payroll	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	2,640,000
Payroll Taxes	71,250	71,250	71,250	71,250	71,250	71,250	71,250	71,250	311,250	71,250	71,250	71,250	1,095,000
401(k)	5,125	5,125	5,125	5,125	5,125	5,125	5,125	5,125	5,125	5,125	5,125	5,125	61,500
Union benefits	0	479,711	0	0	0	0	400,000	0	0	0	375,000	0	1,254,711
Interest	3,500	0	0	0	5,400	0	0	0	3,500	1,900	0	0	14,300
Loan payment	25,795	4,685	0	0	30,480	0	0	0	4,685	25,795	0	0	91,440
Rent & NNN	65,851	0	0	0	65,851	0	0	0	0	65,851	0	0	197,553
Sublease Rent Reimbursement	0	0	(18,290)	0	0	0	(18,290)	0	0	0	(18,290)	0	(54,870)
Staff Benefits	0	24,000	1,730	2,711	0	24,000	1,730	2,700	0	24,000	1,730	2,700	85,301
Insurance	22,376	0	0	0	0	0	0	0	0	0	0	0	22,376
Sales tax	0	0	0	85,000	0	0	0	60,000	0	0	0	60,000	205,000
Federal Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Member Investments	0	0	0	15,000	0	25,000	0	25,000	0	0	0	10,000	75,000
Member Distribution	0	0	0	0	0	0	0	0	0	0	0	200,000	200,000
Employee Retention Dist	0	0	0	0	0	0	0	50,000	0	0	0	50,000	100,000
Equipment Purchases	0	0	0	0	0	0	0	0	0	0	40,000	0	40,000
Credit Card Payment	0	0	0	30,000	0	0	0	30,000	0	0	0	30,000	90,000
Total Cash Disbursements	547,424	1,629,915	340,900	884,356	493,605	996,305	828,199	790,367	964,601	858,221	854,745	853,375	10,042,014
Net Cash Flow	6,703,357	6,095,626	6,665,652	6,840,092	7,749,365	7,760,320	7,759,146	7,813,908	7,717,301	7,659,080	7,623,132	7,569,757	1,903,058
Advances (Repay) on L of C	0	0	0	0	0	0	0	0	0	0	0	0	0
(Invstmts) Draws on S/T Invst	0	0	0	0	0	0	0	0	0	0	0	0	0
Shortfall in Cash Requirements	6,703,357	6,095,626	6,665,652	6,840,092	7,749,365	7,760,320	7,759,146	7,813,908	7,717,301	7,659,080	7,623,132	7,569,757	
Beg Bal	0												
L of C & Notes	0	0	0	0	0	0	0	0	0	0	0	0	0

XYZ Contractor

Customer # / Name	Project # / Name	Invoice Due Date	Forecast Date of Receipt during weeks beginning on Monday,										Due Beyond				
			1-Jun	8-Jun	15-Jun	22-Jun	29-Jun	6-Jul	13-Jul	20-Jul	27-Jul	3-Aug	10-Aug	17-Aug	Beyond	Possible Uncollectable	Retention Billed
		Prev Page Total	279,849	47,924	77,138	151,617	175,285.44	205,994	135,291.94	121,398	0	0.00	0	0	189,326	0	-
		12/17/08												473			
		04/25/09											118,797				
		06/17/09		150,610.15													
		05/28/09	5,295														
		05/30/09		14,198													
		06/18/09		15,937.20													
		05/17/09			43,304												
		06/17/09							185,768								
		10/23/08													4,831		
		06/28/09						5,972									
		06/28/09						6,159									
		04/19/09	237,500														
		05/20/09	153,422														
		06/14/09					239,914										
		05/28/09		27,651													
		06/28/09						299,815									
		06/27/09						22,122									
		03/21/09											14,652				
		01/28/09													225		
		05/21/09					178,523										
		06/13/09								348,198							
		05/21/09					165,786										
		06/13/09								69,797							
		06/17/09					109,500										
		02/26/09											16,897				
		03/25/09			52,375												
		04/17/09			26,184												
		05/23/09					20,282										
		06/17/09							53,888								
		05/23/09					9,142										
		05/27/09					5,315										
		03/01/08	9,923														
		06/29/08												390			
		06/12/09				43,963											
		04/30/08													3,435		
		09/19/08													3,251		
		11/09/08											178				
		06/28/09							8,043								
		06/17/09							11,801								
		05/24/09		521,354													
		06/21/09						412,843									
		06/05/09			187,656												
		05/17/09	38,256														
		06/17/09					78,668										
		05/16/09			26,065												
		06/18/09							5,964								
		05/17/09	13,478														
		06/17/09					37,469										
		05/15/09			58,834												
		03/29/09						29,409									
		05/16/09			7,273												
		06/03/09			12,370												
		03/12/09					23,687										
		05/29/09					10,321										
		03/29/09					7,483										
		06/27/09					6,740										
		03/25/09	14,549														
		04/23/09					9,638										
		05/16/09			304,622												
		05/16/09	194,423														
		05/17/09			54,767												
		06/14/09					53,959										
		05/16/09	57,325														
		05/16/09	108,534														
		06/14/09					330,695										
		05/16/09	95,145														
		05/16/09	69,877														
		05/16/09	39,589														
		05/21/09	152,100														
		06/13/09					463,924										
		05/16/09	7,126														
		06/26/09					226,902										
		06/12/09				5,000											
		04/30/09		33,126													
		04/30/09		24,079													
		06/18/09		113,095													
		06/28/09						24,945									
		05/23/09		20,641													
		06/26/09					75,376										
		05/07/09			15,418												
		06/11/09			14,080												
		05/07/09			15,932												
		06/11/09			13,812												
		05/29/09	8,410														
		05/16/09		8,926													
		03/13/09	17,499														
		04/16/09					8,750										
		03/13/09	23,735														
		04/17/09					14,241										
		05/13/09					9,494										
		Balances over \$5,000 (Total \$103,787)	58,048	25,000	20,739				500,000	650,000	450,000	800,000	700,000	800,000			
			1,584,082	1,022,183	910,926	1,058,797	1,402,879	1,007,260	827,024	845,130	867,994	800,000	818,797	800,000	221,917	11,741	0

XYZ Contractor

Analysis of Client Payables

For Period Beginning June 1, 2013

	Forecast Date of Receipt during weeks beginning on Monday,												Due Beyond
	1-Jun	8-Jun	15-Jun	22-Jun	29-Jun	6-Jul	13-Jul	20-Jul	27-Jul	3-Aug	10-Aug	17-Aug	
Interest	3,500				5,400				3,500	1,900			
Loan payment	25,795	4,685			30,480				4,685	25,795			
Rent & NNN	65,851				65,851					65,851			
Sublease Rent Reimbursement			(18,290)				(18,290)				(18,290)		
Staff Benefits		24,000	1,730	2,711		24,000	1,730	2,700		24,000	1,730	2,700	
Insurance		22,376											
Payroll	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	
Payroll Taxes	71,250	71,250	71,250	71,250	71,250	71,250	71,250	71,250	311,250	71,250	71,250	71,250	
401(k)	5,125	5,125	5,125	5,125	5,125	5,125	5,125	5,125	5,125	5,125	5,125	5,125	
Union benefits		479,711					400,000				375,000		
Sales tax				85,000				60,000					60,000
Federal Taxes		218,117											
Member Investments				15,000		25,000		25,000					10,000
Member Distribution													200,000
Employee Retention Dist								50,000					50,000
Equipment Purchases											40,000		
Credit Card Payment				30,000				30,000					30,000
Accrued A/P													
Subcontractors		225,986	27,172	193,466	69,199		105,084	231,992	60,741				0
Vendor		16,529		11,358									(0)
Vendor	16,642	59,907		45,501									(0)
Vendor	3,444	11,238		25,737									(0)
Vendor	12,708	113,542		104,687									(0)
Vendor		45,329		22,300									0
Vendor	2,394	8,713		16,246									0
Vendor		11,605		11,675									(0)
All other vendors	94,509	297,201	5,000	20,000	22,000								
A/P not accrued at month end													
Subcontractors													
Subcontractors	3,830	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	
Subcontractors		8,477				8,500					8,500		
Subcontractors		1,587				1,600					1,600		
Subcontractors			775			800					800		
Subcontractors			23,838				24,000				24,000		
Subcontractors		20,730				20,730					20,730		
Subcontractors						15,000			10,000				
Subcontractors						60,000			25,000	60,000			
Subcontractors						50,000			25,000	50,000			
Subcontractors						25,000		75,000		25,000			
Subcontractors						35,000			20,000	30,000			
Subcontractors						10,000			15,000	10,000			
Subcontractors						20,000			10,000	15,000			
All other vendors						400,000	15,000	15,000	250,000	250,000	100,000	200,000	
Accrued AP	129,697	790,050	32,172	450,970	91,199	0	105,084	231,992	60,741	0	0	0	(318)
Non-Accrued AP	3,830	35,094	28,913	4,300	4,300	650,930	43,300	94,300	359,300	444,300	159,930	204,300	
TOTAL	525,048	1,870,408	340,900	884,356	493,605	996,305	828,199	790,367	964,601	858,221	854,745	853,375	(318)

**XYZ Construction Company
Contract Cash Flow Analysis
For the Year Ended December 31, 2013**

Job #	Description	1 Contract Amount	2 Total Estimated Cost	3 (1 - 2) Estimated Gross Profit	4 Billings to Date	5 Contract Receivables & Retainage	6 (4 - 5) Cash Collected	7 Cost to Date	8 Accounts Payable	9 Cash Paid	10 (6 - 9) Net Cash Flow Position	11 (10 / 1) Cash Flow to Contract Percentage	12 (10 / 3) Cash Flow to Gross Profit Percentage
Project Manager: Robert Davidson													
99001	Nashville I-40 Bridge	6,645,588	6,233,275	412,313	3,758,900	830,514	2,928,386	3,643,874	458,659	3,185,215	(256,829)	-3.86%	-62.29%
99002	Memphis Airport	750,000	712,000	38,000	709,000	183,000	526,000	599,000	66,500	532,500	(6,500)	-0.87%	-17.11%
99005	Lynchburg - Jack Daniels	1,800,000	1,550,000	250,000	150,000	150,000	0	130,000	65,000	65,000	(65,000)	-3.61%	-26.00%
99006	Carthage - Al Gore Home	450,000	410,000	40,000	0	0	0	36,000	12,000	24,000	(24,000)	-5.33%	-60.00%
	Subtotal	9,645,588	8,905,275	740,313	4,617,900	1,163,514	3,454,386	4,408,874	602,159	3,806,715	(352,329)	-3.65%	-47.59%
Project Manager: Elvis Presley													
99-12	Heartbreak Hotel	350,000	225,000	125,000	350,000	35,000	315,000	218,000	45,000	173,000	142,000	40.57%	113.60%
99-02	Dr. Nick Hospital	750,000	745,000	5,000	719,000	225,000	494,000	722,000	166,000	556,000	(62,000)	-8.27%	-1240.00%
99-04	Graceland Road	2,500,000	2,300,000	200,000	650,000	380,000	270,000	640,000	285,000	355,000	(85,000)	-3.40%	-42.50%
99-08	Cadillac Factory	80,000	75,000	5,000	0	0	0	10,000	8,000	2,000	(2,000)	-2.50%	-40.00%
	Subtotal	3,680,000	3,345,000	335,000	1,719,000	640,000	1,079,000	1,590,000	504,000	1,086,000	(7,000)	-0.19%	-2.09%
Project Manager: Dolly Parton													
99-09	Porter Waggoner Home	780,000	727,000	53,000	780,000	78,000	702,000	720,000	95,000	625,000	77,000	9.87%	145.28%
99-13	Country Music Hall of Fame	1,650,000	1,480,000	170,000	1,100,000	185,000	915,000	988,000	225,000	763,000	152,000	9.21%	89.41%
99-14	Dollywood	1,100,000	910,000	190,000	380,000	166,000	214,000	100,000	25,000	75,000	139,000	12.64%	73.16%
	Subtotal	3,530,000	3,117,000	413,000	2,260,000	429,000	1,831,000	1,808,000	345,000	1,463,000	368,000	10.42%	89.10%
	Company Totals	16,855,588	15,367,275	1,488,313	8,596,900	2,232,514	6,364,386	7,806,874	1,451,159	6,355,715	8,671	0.05%	0.58%

Job Name: Example Project

Job #: 123456

Phase Description	Extra	Roll Up	Labor Hrs	Labor \$\$	Material \$\$	Quotes \$\$	DJE \$\$	Total w/ MU	Adjustment	SOV Amounts	Loading
Prefabrication			220	\$ 7,700				\$ 9,317	\$ 78,018	\$ 87,335	4.5%
Engineering				\$ -			\$ 53,450	\$ 64,675	\$ 15,000	\$ 79,675	0.9%
Detailing			344	\$ 12,040				\$ 14,568	\$ 20,000	\$ 34,568	1.2%
Site Underground			320	\$ 11,200	\$ 12,205		\$ 31,329	\$ 67,373	\$ 40,000	\$ 107,373	2.3%
Site Lighting			122	\$ 4,270	\$ 109,129	\$ 22,500		\$ 176,781		\$ 176,781	
Rough			1190	\$ 41,650	\$ 495,566	\$ 87,000		\$ 809,932	\$ 20,000	\$ 829,932	1.2%
Trim			470	\$ 16,450	\$ 195,728	\$ 8,500	\$ 5,200	\$ 292,464	\$ (120,000)	\$ 172,464	-6.9%
Fire Alarm				\$ -				\$ -		\$ -	
Electrical		x	187	\$ 6,545	\$ 35,000			\$ 53,552	\$ (15,000)	\$ 38,552	-0.9%
xyz - 97	97	x		\$ -			\$ 41,045	\$ 49,664	\$ (8,619)	\$ 41,045	-0.5%
Intercom/ CCTV/ Ethernet				\$ -				\$ -		\$ -	
Electrical		x	389	\$ 13,615	\$ 12,550			\$ 32,837		\$ 32,837	
Telecom - 99	99	x		\$ -			\$ 120,437	\$ 145,729	\$ (25,292)	\$ 120,437	-1.5%
xyz - 97	97	x		\$ -			\$ 5,271	\$ 6,378	\$ (1,107)	\$ 5,271	-0.1%
Temporary Power			122	\$ 4,270			\$ 4,500	\$ 10,612	\$ (3,000)	\$ 7,612	-0.2%
				\$ -				\$ -		\$ -	
				\$ -				\$ -		\$ -	
				\$ -				\$ -		\$ -	
Totals:			3364	\$ 117,740	\$ 860,178	\$ 118,000	\$ 261,232	\$ 1,733,880	\$ -	\$ 1,733,882	10.1%

Labor Rate: \$ 35.00
Markup Rate: 21%

Contract Amount (=Electrical+RMI+Telecom) \$ 1,733,882

Notes:

- 1) For phases that are to be rolled up to multi-phase headers, mark an x in the roll up column and indent the description lines for rolled up items.
- 2) Rolled up phases will not be visible on the customer invoice, however they will still be shown and utilized for billing markup purposes.
- 3) To identify XYZ and Telecom amounts, use the extra code in the phase name & in the extra column (97 or 99).
- 4) Multi-phase group header names should always have 0 amounts.
- 5) XYZ and Telecom amounts should match the amounts on their respective risks.
- 6) Use actual budget numbers for the labor, material, and DJE fields. **Minimum front loading should be 10% of the contract value and should be done in the adjustment column only.**

CASH DEMAND

Contractor Revenue \$69,419,170

	Account Balance	Divisor= Revenue/360	Days by Account
A/R	15,031,909	192,831	78
Retention	4,098,102	192,831	21
Underbillings	503,949	192,831	3
Cash Conversion	19,633,960		<u>102</u>

	Account Balance	Divisor= Revenue/360	Days by Account
A/P	9,606,016	192,831	50
A/P- Retention	2,061,695	192,831	11
Overbillings	7,177,991	192,831	37
Cash Funding	18,845,702		<u>98</u>

Total Cash Demand (\$) 788,258

Total Cash Demand (Days) 4 4

Positive Number Assets are greater than the liabilities, you are using equity or debt to fund operations

Negative Number Liabilities are greater than the assets, you are using funding from operations