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Banking vs. Bonding

What do they look for in financial statements?

Western Michigan CFMA Chapter 11.15.18

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Banking vs. Bonding

- What are similar goals?
- Where may goals differ?
- What is most important part of the financial statement?
 - Sample balance sheet analysis walkthrough
 - Other statements, supplementary information
 - Contract schedules (WIP and Completed schedules)
 - Analysis systems/credit models used
 - Liquidity, Leverage, Operational, Supplemental

Banking vs. Bonding

 How does surety and bank establish work program and line of credit amounts respectively?

 Are there any changes to the banks underwriting approach in the construction sector?

Other questions?

Banking vs. Bonding

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Thank you!!

Developed by Beene Garter LLP 2018 - Surety/Bank Presentation CFMA 11/15/18 GMM ABC Contractors Inc. Sample Surety Financial Statement Analysis - Example December 31, 20XX

0% Partial 50% 100%

As presented in

Adjust for market fluciation - conservative conservative control tookhales (completed & progress bills) 75,000 80% 60,000 337,000 90 337,000		As presented in CPA GAAP financial statements	Sample % allowed by surety	Surety Value Allowed	Comments for surety discounting
Adjust for market fluciation - conservative conservative control tookhales (completed & progress bills) 75,000 80% 60,000 337,000 90 337,000	SURETY FACTOR #1 - WORKING CAPITAL CALCULATI	ON			
Marketable Securities (available for sale) 75,000 80% 0,000 Confract raceivables (completed & progress bills) 352,000 \$ (15,000) 237,000 Confract raceivables (completed & progress bills) 352,000 \$ (15,000) 237,000 Dillings on uncompleted contracts 7 (10,000 100% 10,000 10,00	Current Assets				
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Costs and estimated earnings in excess of billings on uncompleted contracts 73,000 100% 100% 10000 100% 10000 100% 10000 100% 10000 100% 10000 100% 10000 100% 10000 100% 10000 100% 10000 100% 10000 100% 10000 100% 10000 100% 10000 100% 10000 100% 10000 100% 10000 100% 10000 100% 10000 100% 10000 1000% 1	Contract receivables (completed & progress bills)	352,000			90 days excluded for \$15,000
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Refundable Taxes 10,000 100% 10,000 100% 10,000 10,0	Inventory	20,000	50%	10,000	
Deferred income taxes 10% 227,000 270					, ,
Comment Comm	Prepaid Expenses	10,000	0%	-	Expenses paid in advance - no value to surety
Current Labilities Notic payable Current maturities of long-term debt Accounts payable Trade Employee funds withheld 20,000 Billings in excess of costs and estimated earnings on uncompleted contracts Account labilities TOTAL CURRENT LIBBILITIES A60,000 TOTAL WORKING CAPITAL 197,000 Surely adjustment - allowing CSV life insurance as current ADJUSTEMENTS TO TANGIBLE NET WORTH ADJUSTEMENTS TO TANGIBLE NET WORTH ADJUSTMENTS TO TANGIBLE NET WORTH ADJUSTMENTS TO TANGIBLE NET WORTH ADJUSTMENTS TO TANGIBLE NET WORTH AGI, Adjustment for Deferred tax asset TNW Adj: Adjustment for Deferred tax asset TNW Adj: Adjustment for Subordinated Debt from Slockholders SURCEY FACTOR #2 - COMPANY NET WORTH ADJUSTMENTS TO TANGIBLE NET WORTH ADJUSTMENT TO TANGIB			0%	-	
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Trade Employee funds withheld 20,000 100% 20,000 Employee funds withheld 20,000 100% 20,000 Employee funds withheld 20,000 100% 20,000 Employee funds withheld 20,000 100% 50,000 Employee funds withheld 20,000 100% 55,000 100% 55,000 100% 55,000 100% 55,000 100% 55,000 100% 55,000 100% 55,000 100% 55,000 100% 55,000 100% 55,000 100% 55,000 100% 55,000 100% 147,000		144,000	100%	144,000	
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earnings on uncompleted contracts 64,000 100% 55,000 1		20,000	100%	20,000	
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Surety may partially allow if deduction can prove it will be taken in next year - No longer considered current per recent GAAP pronouncement (180,000) Long-term related party - discounted in full. Long-term	ADJUSTMENTS TO TANGIBLE NET WORTH				
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