



## Financial Management Essentials for Non-Financial Managers

### Financial Management Essentials for Non-Financial Managers

Anthony R. Stagliano, CPA, CCIFP  
*CBIZ MHM, LLC*

*Construction Financial Management Association*

**This session is eligible for 2 Continuing  
Education and 2 Contact Hours.**

For these hours to appear on your certificate, you must:

- Have your badge scanned at the door
- Attend 90% of this presentation
- Fill out the online evaluation for this session

# Agenda

- I. Introduction & Overview
- II. Project Risk Assessment
- III. Contracts, Billings and Cash Flow
- IV. Project Costing and Forecasting
- V. Financial Statement Overview



# I. Introduction & Overview



## Program Overview and Objectives

- To provide non-financial managers and construction project leaders with the financial management essentials for overseeing a construction project.
- This includes the financial tracking, monitoring, communication and adjustment it requires to remain compliant with all interested parties and regulations.



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## Question

- **Who's with us today?**
  - a) Owner
  - b) Project Manager
  - c) Estimator
  - d) Business Development/Sales/Marketing
  - e) Accounting Personnel
  - f) Other



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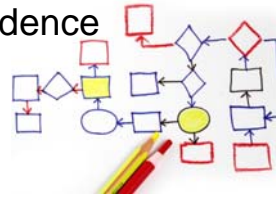
## Risk Assessment and Risk Management in Construction – Objectives

- In this section we will cover project risk assessment and management from the bidding/proposal stage through project completion.



## Risk Assessment Profiling the Project

- Map your processes
  - Estimating
  - Buyout/Subcontracting/Purchase orders
  - Scheduling
  - Documentation/Submittals and logs
  - Notice letters and correspondence
  - Completion and close-out



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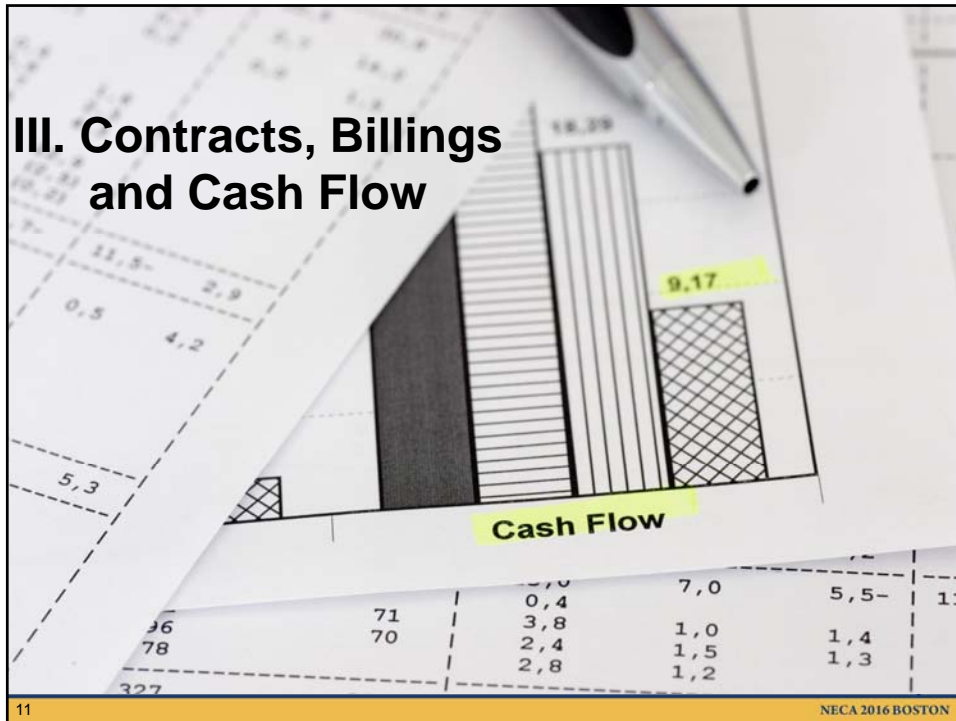
## Risk Assessment Profiling the Project

- The contract
  - Read it!
  - Insurance requirements
  - Liquidated damages
  - Notice requirements
  - Indemnifications
  - Warranty
  - Time extensions
  - Delay costs and damages
  - Change authorization



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## Contracts, Billings and Cash Flow – Objectives

- In this section you will gain:
  - An understanding of how to manage a schedule of values and observe sound billing techniques.

WHAT'S NEXT?



## Contracts, Billings and Cash Flow

- Billing and cash flow are determined in large measure by contractual terms — Negotiate wisely!
  - Contractual
    - Timing of payments
    - Retention terms
    - Stored materials
    - Performance bonds
    - Administrative approvals
    - Payment of non-disputed portions of invoices
    - Schedule of substantial completion
    - Check vs. electronic funds



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## Contracts, Billings and Cash Flow

- Billing and cash flow are determined in large measure by contractual terms – continued.
  - Payment terms
    - Mobilization
    - Final payment
    - Retention
    - Lien Rights
    - Extras and back charges
    - Claims
    - Right to stop work
    - Disputes
    - Allowable contract costs



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# Project Billing

- Prepare Aggressive Billing Schedules
  - Front load the billing schedule for maximum cash flow
    - Bonds and insurance
    - Mobilization and start up costs
    - Plans, permits, fees or licenses
    - Job profit margins (large percentage)



**AccuBuild Construction Co., Inc.**  
**Job Estimate Detail Report - List of Contract Billing Items**  
 Partial Job List

Billing Phase	Billing Phase Description	Billing Amount	Item	Date	C/D?	Y/N	Approved Date	Items Linked to Job Cost Phases			
								Phase	Item Description	Est Costs	Est Units
<b>Job No. 05-1010 Electrical Cash Flow Job</b>											
16010.00	Electrical - Mobilization	3,692.00	1	04/07/2005				16010.01	Labor	2,500.00	37.00
16010.00	Electrical - Mobilization	7,014.00	2	04/07/2005				16010.02	Materials	4,750.00	
16010.00	Electrical - Mobilization	3,266.00	3	04/07/2005				16010.03	Subcontracts	2,213.00	
16010.00	Electrical - Mobilization	2,564.00	4	04/07/2005				16010.04	Equipment Rentals	1,750.00	
16010.00	Electrical - Mobilization	738.00	5	04/07/2005				16010.05	Misc Expenses	500.00	
16010.00	Electrical - Mobilization	4,652.00	6	04/07/2005				16010.80	Bonds	3,150.00	
16010.00	Electrical - Mobilization	1,108.00	7	04/07/2005				16010.85	Plans, Permits, & Fees	750.00	
16020.00	Electrical - Underground	87,770.00	8	04/07/2005				16020.01	Labor	50,000.00	735.00
16020.00	Electrical - Underground	50,454.00	9	04/07/2005				16020.02	Materials	37,225.00	
16020.00	Electrical - Underground	14,232.00	10	04/07/2005				16020.03	Subcontracts	10,500.00	
16020.00	Electrical - Underground	7,841.00	11	04/07/2005				16020.04	Equipment Rentals	5,785.00	
16020.00	Electrical - Underground	1,355.00	12	04/07/2005				16020.05	Misc Expenses	1,500.00	
16030.00	Electrical - Aboveground	78,246.00	13	04/07/2005				16030.01	Labor	72,450.00	1,065.00
16030.00	Electrical - Aboveground	110,755.00	14	04/07/2005				16030.02	Materials	102,501.00	
16030.00	Electrical - Aboveground	38,648.00	15	04/07/2005				16030.03	Subcontracts	35,785.00	
16030.00	Electrical - Aboveground	17,010.00	16	04/07/2005				16030.04	Equipment Rentals	15,750.00	
16030.00	Electrical - Aboveground	270.00	17	04/07/2005				16030.05	Misc Expenses	250.00	
16040.00	Electrical - Finish and Fixtures	19,316.00	18	04/07/2005				16040.01	Labor	17,885.00	265.00
16040.00	Electrical - Finish and Fixtures	106,326.00	19	04/07/2005				16040.02	Materials	98,450.00	
16040.00	Electrical - Finish and Fixtures	5,400.00	20	04/07/2005				16040.03	Subcontracts	5,000.00	
16040.00	Electrical - Finish and Fixtures	2,160.00	21	04/07/2005				16040.05	Misc Expenses	2,000.00	
<b>Job Total</b>		<b>542,839.00</b>								<b>470,244.00</b>	<b>2102.00</b>

Job estimate with one to one correlation between estimated cost and billing amount. Note: Larger profit margins are including on the initial billing items to assist with front-loading / over-billing.

Schedule A

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## Project Cash Flow

- Check for any purchased “stored materials” that can be included in the billing
- Check for any pending payroll expenses that cover the billing period
- Submit aggressive billing for approval  
**“Overbilling is not a sin...Underbilling is!”**

But it depends....



## Sample Over-Under Billing Report

	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(d)/(b)	(f)=(c)*(e)	(g)=(d)+(f)	(h)	(h)-(g)
Job Nme	Current Contract Value	ECAC	Estimated Gross Profit	Costs Incurred	% Complete	Earned Profit	Earned Revenue	Total Billed	Over/(Under) Billed
NW Food Warehouse	2,620,695	2,341,200	279,495	795,711	33.99%	94,993	890,704	904,234	13,530
Clackamas Office Park #4	831,930	777,484	54,446	149,525	19.23%	10,471	159,996	140,000	(19,996)
Fort Wayne Officer's Club	465,860	447,174	18,686	37,543	8.40%	1,569	39,112	42,000	2,888
West Orchard Post Office	8,178,000	7,154,000	1,024,000	4,387,653	61.33%	628,034	5,015,687	5,234,987	219,300
Senor Burrito #104	765,234	699,876	65,358	221,876	31.70%	20,720	242,596	250,000	7,404
Senor Burrito #113	788,321	701,234	87,087	332,100	47.36%	41,244	373,344	375,674	2,330
Marshall's Bloomfield Hills	4,328,190	3,765,432	562,758	1,234,898	32.80%	184,560	1,419,458	1,408,984	(10,474)
								<b>Net Over/(Under) Billing</b>	<b>214,982</b>

This should represent cash in the bank to pay future bills



## Project Billings – Collections

- The Project Manager can be a great help in collecting money
  - Relationship
  - Contact
  - Needs
- Look for opportunities to push for payment
  - Meetings
  - Delivery of Submittals or other job related items
- Know when the money is due and start process 1-2 weeks in advance
- Call for payment status 2 or 3 days in advance to make sure no delays and schedule a pickup time if possible



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## IV. Project Costing and Forecasting



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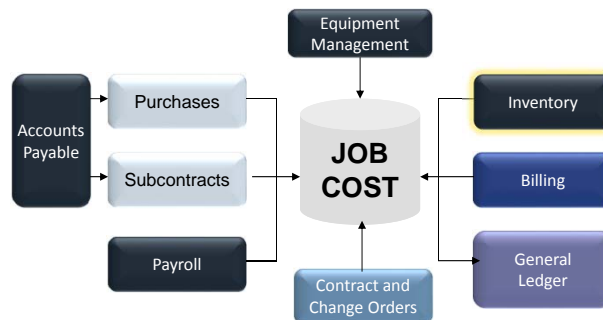
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## Project Costing and Forecasting – Objectives

- In this section, we will discuss:
  - How to integrate job cost systems to capture and project costs to align with the budget.
  - Recommendations for successful change order management to maintain construction project profitability.
  - The steps of project forecasting and managing a project forecast meeting.
  - **Calculation of percent complete and earned revenue.**



## The Job Cost System



## Capture All Your Costs

- Materials/Supplies
- Subcontract Commitments
- Payroll/Burden Costs
- Reimbursable Expenses
- Equipment Costs
- General Conditions Costs
- Insurance/Bonds
- Taxes
- Change Orders



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## Committed Costs

- Costs that you intend to spend
  - Materials
  - Equipment Rental
  - Other Items
  - Insurance and Bonds
  - Subcontracts
- Enter commitment via Purchase Orders, Material Contracts, Subcontracts
- Tracked on job cost reports



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## Change Orders

- Changes in scope may have a major impact on the success of a project.
  - Address changes promptly and get signed owner approval.
- Managing change orders may have more to do with the ultimate profitability of a construction company than any other single activity.
- The process for entering and managing changes and updating budgets must leave a clear audit trail.



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## Document ALL Changes

- Any deviation from the original job scope should be documented as a change request
  - Compensable and Non-Compensable
  - Document known conditions IMMEDIATELY
  - Get the change in the system
- Maintain good backup (Cost segregation)
- Regular log review and follow up
- Keep change requests on meeting agenda



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## Project Costing and Forecasting – Overview

- Project Forecasting
- Earned Revenue & Over/Underbillings
- Financial Statement Overview



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## Project Forecasting

- How important is this step?
  - Critical Management Estimate
  - Key test of Project Manager's foresight and project control
  - Get ahead of project fade
  - Key attribute of reliable Job Cost System
  - Major impact on Income Statement
  - Also affects Balance Sheet
- An art, not a science



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## Project Forecasting

- Components
  - Contract Value
  - Estimated Cost at Completion (ECAC)
- How often should forecasts be done?
  - Project size
  - Project duration
  - Project complexity
- How is the information used?
  - Design the process with the end in mind
  - This goes back to having a good job set up



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## Project Forecast Meeting

- Review contract value, ECAC Report and projected gross margin
- Review potential areas of gain – no private sandbagging!
- PM provides narrative with explanation of changes from prior forecast
- Review change requests in process
- Review schedule changes
- Review billing and collection status
- Discuss other project issues



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## Forecast – Contract Value

- Base contract value
- Contract additions and deducts
- Approved Change Orders
- May also include:
  - Unapproved Change Orders
  - Claims
  - Incentive/penalty provisions



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## Labor Forecast

- First need to know how much of the work is complete
  - Need to compare units required; may be more or less than original budget
  - For Self Performed work, look at units installed as a percent of total units forecasted
  - For General Conditions, look at weeks incurred as percent of total weeks needed per current schedule to determine percent complete

Labor Percent Complete = Units Installed / Total Forecasted Units

- Determine projected labor to complete all units

Labor ECAC = Labor \$ Incurred / Labor Percent complete



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## Labor Forecast

- **Example:**
  - \$50k of \$100k budget incurred (50% of \$ used)
  - But only 40% of units installed
  - $ECAC = \$50k / .4 = \$125k$
  - \$25k FADE
- **Review Forecast:**
  - Is cost left to complete enough
    - Is future work more difficult or easier?
    - Does it look reasonable?
  - Make manual adjustment if needed



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## Material Forecast

- **How much of the material have you purchased?**

$Material\ Percent\ Complete = Units\ Purchased / Total\ Forecasted\ Units$
- **Determine projected material cost at completion**

$Material\ ECAC = Material\ \$\ Incurred / Material\ Percent\ Complete$
- **Example:**
  - \$15k of \$60k budget incurred (25% of \$ used)
  - BUT – 30% of units purchased
  - $ECAC = \$15k / .3 = \$50k$
  - \$10k GAIN

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## Material Forecast

- Materials lead labor - may be 100% on material and only 75% on labor
- Material and labor usually move in same direction (over in labor, over in material)
- Safeguard and neatly store materials
  - Quick inventory remaining materials
  - Review waste factors: will they increase or decrease?
  - Is material desirable to thieves?
- Does each line item look reasonable?



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## Equipment Forecast

- How many equipment hours have you used?
 
$$\text{Equipment Percent Complete} = \frac{\text{Equipment Hours Used}}{\text{Total Forecasted Equipment Hours}}$$
- Determine projected equipment cost at completion
 
$$\text{Equipment ECAC} = \frac{\text{Equipment \$ Incurred}}{\text{Equipment Percent Complete}}$$
- Example:
  - \$30k of \$40k budget incurred (75% of \$ used)
  - 75% of equipment hours used
  - $\text{ECAC} = \$30\text{k} / .75 = \$40\text{k}$
  - ON BUDGET!



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## Subcontractor Forecast

- Subcontracts entered as committed costs in system
- Subcontractor change orders processed when compensable change requests approved by owner
- Internal subcontractor change orders

Subcontractor ECAC =  
Subcontractor Committed Cost



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## Other Factors Affecting Cost Forecasts

- Price Escalations
  - Interruption in the supply chain or sudden increase in demand can move prices drastically
  - On time delivery - Do you need alternate source to meet schedule at higher cost impact?
- Labor Rate Changes
  - Will payroll increases go into effect during project?
  - Benefits/union increases
- Do you have the manpower?
  - Will you need to subcontract any of the work?
  - Can you pull any of the work in?



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## Earned Revenue

- Project Manager's ECAC forecast is used to determine earned revenue
- Calculated on cost to cost method
- Difference between earned revenue and actual billings is called over/underbilling
- Over/underbilling is a critical part of calculating financial results
- All this financial information is required to compile the WIP (Work In Progress Schedule)
- WIP reconciled to general ledger



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## Percentage of Completion

- The concept under which a contractor recognizes income from fixed-price contracts on the financial statements as the work progresses
- This methodology is required by GAAP\* for contractors
- Revenue recognized based on extent of costs incurred
- Provision for Contract Losses - the expected loss on an individual contract must be recognized in full when it becomes apparent that there will be a loss

\* - Generally Accepted Accounting Principals



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## Question

**Higher Customer Billings = More Earned Revenue Recognized**

- a) True
- b) False



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## FALSE

Revenue Earned = Percent Complete x Contract Value

**(HIGHER BILLINGS ALLOWS FOR OVERBILLINGS)**

More Incurred Costs = Higher % Complete

**HIGHER % COMPLETE  
=  
MORE REVENUE EARNED**



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## Percent Complete and Earned Revenue Calculations

- **Components of Calculation:**

1. Contract Value
2. Costs Incurred To Date
3. **ECAC – that’s what all that hard work was for!**
4. Billings To Date

$$\text{Cost Incurred To Date} / \text{ECAC} = \text{Percent Complete}$$

$$\$1,000,000 / \$2,000,000 = 50\%$$

$$\text{Percent Complete} \times (\text{Total Contract Value} - \text{ECAC}) = \text{Earned Gross Profit}$$

$$50\% \times (\$2,200,000 - \$2,000,000) = \$100,000$$

$$\text{Cost Incurred} + \text{Earned Gross Profit} = \text{Earned Revenue}$$

$$\$1,000,000 + \$100,000 = \$1,100,000$$



## Over/Underbilling

- Why does it matter to know earned revenue?
- Must compare earned revenue to actual billings to determine impact on financial statements

$$\text{Earned Revenue} - \text{Billed To Date} = \text{Under/(Over)billed}$$

**Example 1:**

*\$1,100,000 Earned Revenue - \$1,000,000 Billed = \$100,000 UNDERBILLED*

- *Asset on Balance Sheet - Costs and estimated earnings in excess of billings*
- *Results in increase of profit on current income statement*
- *Negative impact on cash flow – you are financing the project*

**Example 2:**

*\$1,100,000 Earned Revenue - \$1,300,000 Billed = \$200,000 OVERBILLED*

- *Liability on Balance Sheet - Billings in excess of cost and estimated earnings*
- *Results in decrease of profit on current income statement*
- *Positive impact on cash flow – you can use the overbillings at 0% interest*



## Impact of a Poor Forecast

- Project for school, no change orders to date
  - Contract \$10.5m
  - Bid cost \$10m
  - Project duration initially expected to be 10 months
  - Costs incurred to date \$6m
- Project manager isn't thorough in project forecast and doesn't identify problems with the bid
  - Doors and windows missed
  - Schedule will slip by 3 months for lead time to get order in
  - General conditions +\$20k
  - Doors & windows +\$180k
- Financial statements and WIP schedule go to the Bank and Bonding company monthly



## Impact of a Poor Forecast

### Earned profit based on Project Manager's Forecast

Cost Incurred To Date / ECAC = Percent Complete

$$\$6,000,000 / \$10,000,000 = 60\%$$

Percent Complete x (Total Contract Value - ECAC) = Earned Gross Profit

$$60\% \times (\$10,500,000 - \$10,000,000) = \$300,000$$

### CORRECT FORECAST

Cost Incurred To Date / ECAC = Percent Complete

$$\$6,000,000 / \$10,200,000 = 59\%$$

Percent Complete x (Total Contract Value - ECAC) = Earned Gross Profit

$$59\% \times (\$10,500,000 - \$10,200,000) = \$177,000$$



## Impact of a Poor Forecast

### **PROFIT WAS OVERSTATED BY \$123K**

- This will be a hit to the income statement in the next month (Accounting must recognize when known)
- Lenders and sureties extend credit based on this information
- Management makes decision about staffing, benefits and capital investments based on this information
- **FORECASTS MUST BE CREDIBLE**



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## Summary

- Job Cost System
  - Data should be timely and reports should be useful
  - Many internal and external users
  - Identifies problems and aids in decision making
- Job Set-Up
  - Identify critical activity measures
  - Consider change order management within job cost
  - Target budget – set and communicate to team



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## Summary

- **Committed Costs**
  - Entered to job cost via Purchase Orders, Material Contract and Subcontracts
  - Allows matching of expenses to line item budgets
  - Prevents overpayments
  
- **Change Orders**
  - Managing and accounting for change orders critical to profitability
  - Document known conditions immediately
  - Stay on top of them!



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## Summary

- **Project Forecasting**
  - Critical management and financial estimate
  - Impacts financial statements and decision makers
  - System and reporting considerations
  - Targets and contingencies
  - Requires commitment and involvement of entire team
    - Make sure everyone understands the process
    - Set deadlines and meet monthly
    - Review thoroughly and ask questions
    - TAKE IT SERIOUSLY!



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## Summary

- Project Forecasting (cont.)
  - Variances
    - Unit price changes
      - Actual costs per unit are more than estimated
      - Estimating problem?
      - Project delay issue causing price escalation
    - Unit quantity changes
      - Estimating problem?
      - Schedule issues?
      - Field management issue?
    - Recovery options?


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## Summary

- Earned Revenue
  - Construction accounting recognizes earned revenue on a cost to cost method; more to date cost = more earned revenue to date
  - Accurate ECAC essential to correct financial reporting
  - % complete = costs incurred/ECAC
  - Earned gross profit = % complete x estimated gross profit
  - Earned revenue = cost + (% complete x estimated gross profit)

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## Summary

- Over/Underbillings
  - Amount billed - Earned revenue = Over/(under)billing
  - Impact on Income Statement
    - Overbilling – must reduce current earned revenue
    - Underbilling – must increase current earned revenue
  - Impact on Balance Sheet
    - Overbilling – Liability
    - Underbilling – Asset
  - Impact on Cash Flow
    - Overbilling – Positive – extra money in the bank
    - Underbilling – Negative – you are financing project



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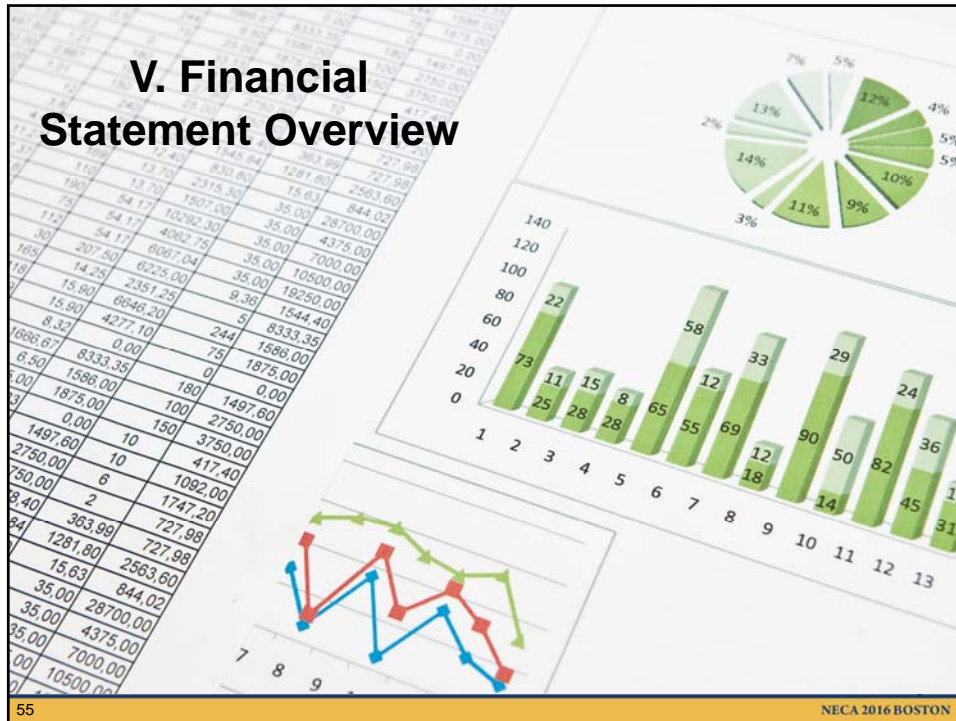
## Summary

- A poor job cost system and/or inefficient job set-up makes it difficult to accurately record and use job cost data
- Lack of commitment by the entire team and lack of training will lead to poor project forecasts
- A poor project forecast
  - Prevents early corrective action
  - Indicates lack of control by the project manager
  - Creates erroneous financial statements
  - Reduces credibility of the company to external business partners



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## Financial Statement Overview – Objectives

- Upon completion of this section, you will:
  - Receive an overview of financial statements and will be able to describe the purpose and components of each statement.
  - Identify the interested parties of financial statement information.



## Components of Financial Statements

1. Independent Accountant's Report
2. Financial Statements
3. Notes to Financial Statements
4. Supplementary Information



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## Basic Financial Statements

- Balance Sheet
  - Assets, Liabilities & Equity Accounts
- Statement of Income
  - Revenue and Expense Accounts
- Statement of Retained Earnings
- Statement of Cash Flows
- Work-in-Process Schedule
  - Supplemental Schedules



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## Supplementary Information

- Not required by Generally Accepted Accounting Principals (GAAP)
- Meets needs of various users
- Content and form vary by company
- Should include Completed Contract Schedule and Work-in-Process (WIP) Schedule



## What is a Balance Sheet?

- Balance sheet is a snapshot at a certain date.
- What does the business own?
- What does the business owe?
- What is the business worth?

Depreciation	12	11
EBIT	39	61
NOPLAT	39	61
Pretax Income	37	60
Taxes	7	17
Net Income	30	43
Implied Net Margin	6.0%	8.0%
Revenue Growth	10.8%	8.6%
Gross Margin	5.4%	20.0%
SGA Growth		(2.3%)



# Assets

- Current assets refer to assets that are converted to cash within a year.
- Under and Over billings are generally current assets/liabilities.
- Fixed assets refer to items that are not for resale and have a life of greater than one year.
  - Equipment, furniture and vehicles are all examples of fixed assets.



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# Liabilities

- Current liabilities are generally obligations that will be paid or are payable over the next 12 months.
- Long-term liabilities are obligations that are not due until greater than 12 months from the balance sheet date.



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## Net Worth/Equity

- Net Worth/Equity is the difference between what is owned (assets) and what is owed (liabilities).
- Reflected in the equity section of the balance sheet.
- Includes original investment (stock, paid in capital) and retained earnings of the business.



**NECA/CFMA, Inc.**  
**Balance Sheet**  
 December 31, 2015

	Assets	
<b><u>Current Assets</u></b>		
Cash		\$ 300,000
Contract Receivables		3,400,000
Costs and Estimated Earnings in Excess of Billings		200,000
Inventory		300,000
Prepaid Expenses and Other Current Assets		200,000
<b>Total Current Assets</b>		<b>4,400,000</b>
<b><u>Property and Equipment - net</u></b>		
		700,000
<b><u>Other Assets</u></b>		
Cash Surrender Value - Officers Life Insurance	\$ 150,000	
Accounts Receivable - Officer	100,000	
<b>Total Other assets</b>		<b>250,000</b>
<b>Total Assets</b>		<b>\$5,350,000</b>





<b>NECA/CFMA, Inc.</b>	<b>Liabilities and Stockholders Equity</b>	
<b>Balance Sheet</b>		
December 31, 2015		
	<u>Current Liabilities</u>	
Notes Payable	\$	200,000
Current Portion of Long-term Debt		100,000
Accounts Payable		2,800,000
Billings in Excess of Costs and Estimated Earnings		250,000
Accrued Expenses and Other Current Liabilities		150,000
Income Taxes Payable		400,000
<b>Total Current Liabilities</b>		<b>3,900,000</b>
		<b>450,000</b>
<u>Long-term Debt - Less Current Portion</u>		<u>450,000</u>
<b>Total Debt</b>		<b>4,350,000</b>
<b>Stockholders Equity</b>		<b>1,000,000</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>\$</b>	<b>5,350,000</b>



## Income Statement

- Income statement is a widely used and misunderstood statement.
- While the balance sheet was a snapshot picture, the income statement is a diary. It captures all the transactions that happened in a certain time period.



**NECA/CFMA, Inc.**  
 Statement of Operations  
 and Retained Earnings  
 Year Ended  
 December 31, 2015

Earned Revenue	\$ 10,000,000
Cost of Earned Revenue	8,000,000
<b>Gross Profit</b>	<b>2,000,000</b>
G & A Expenses	1,000,000
<b>Net Income Before Taxes</b>	<b>1,000,000</b>
Income Taxes	400,000
<b>Net Income</b>	<b>600,000</b>
Retained Earnings - Beginning	400,000
<b>Retained Earnings - Ending</b>	<b>\$ 1,000,000</b>



## Traditional Ratios

- Profitability Ratios
- Operational Ratios
- Debt Analysis
- Credit Analysis
  - What do they tell you?
  - How do you use them?
  - Without a Plan, these may be “Forensic Tools”



## Users of Financial Statements

- Internal
  - Management
- External
  - Banks
  - Sureties
  - Other Credit Granters
  - Owners/GCs/Those Prequalifying Your Company



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## Summary Points

- The entire set of financial statements can also be assigned several additional purposes, which are:
  - **Credit Decisions** - Lenders use the entire set of information in the financials to determine whether they should extend credit to a business, or restrict the amount of credit already extended.
  - **Investment Decisions** - Investors use the information to decide whether to invest, and the price per share at which they want to invest. An acquirer uses the information to develop a price at which to offer to buy a business.
  - **Taxation Decisions** - Government entities may tax a business based on its assets or income and can derive this information from the financials.
  - **Union Bargaining Decisions** - A union can base its bargaining positions on the perceived ability of a business to pay; this information can be gleaned from the financial statements.

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## Questions?

*Don't forget...*

- 10:15 - 11:30 am – Special Session: Boston Strong
- 11:30 am - 4:00 pm – NECA Show Hours

**Anthony R. Stagliano, CPA, CCIFP**

National Director of Construction Industry Services  
CBIZ MHM, LLC

Email: [tstagliano@cbiz.com](mailto:tstagliano@cbiz.com)

**Office – (610) 862-2420**

**Cell – (215) 813-8324**

