Managing the Lifeblood of Contracting – Cash Flow

October 1, 2026

AMERICAN SUBCONTRACTORS ASSOCIATION

maxim CONSULTING GROUP

maxim
CONSULTING GROUP

Management Consulting

- Strategic Planning
- Operational Excellence
- Technology Integration
- Training & Development

Lean Transformations

- Supply Chain Management
- Design Standards
- Enterprise Scheduling
- Process Standardization

Peer Groups

- Electrical
- Mechanical
- Fire Protection
- General Contractor
- Heavy Civil
- Utility

Corporate Finance Advisory

- Mergers & Acquisitions Advisory
- Equity & Debt Financing
- Ownership Transition
- Management Succession
- Captive Insurance

Agenda

01 Do you have a cash flow problem?

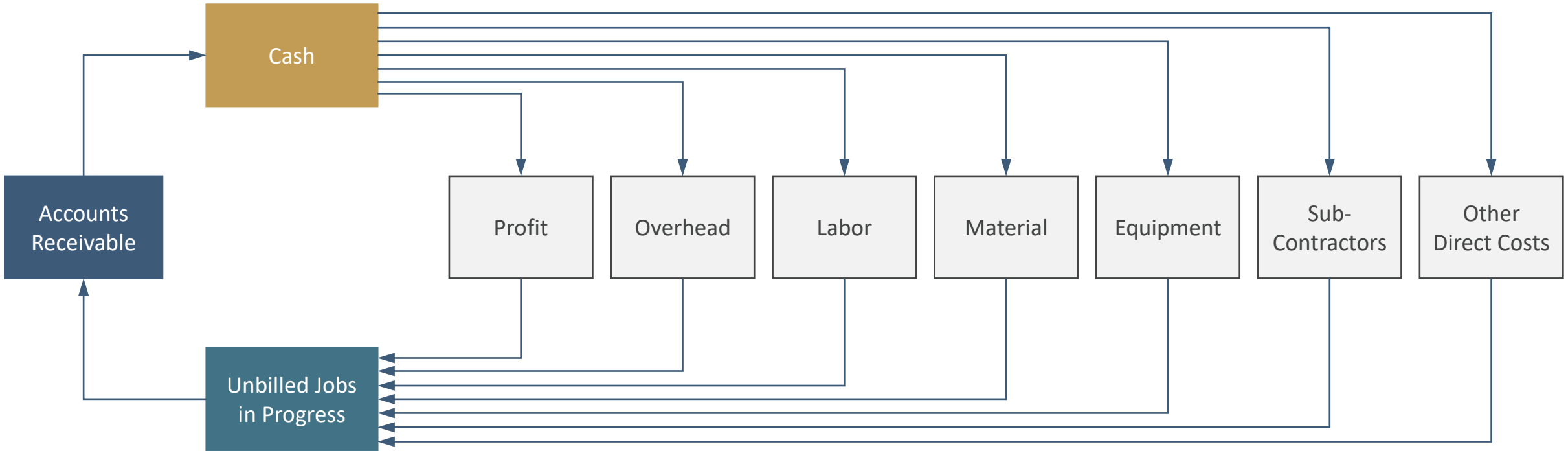
02 Best practices that improve cash flow

03 Cash Demand

04 Cash Flow and SGR

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

The Cash Flow Cycle



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

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

Do you have a cash flow problem?

How much working capital should your business have?

How much equity does your firm need to be properly capitalized?

Do you regularly monitor key ratios?

1. Current ratio
2. Quick ratio
3. Working capital (times, % and dollars)
4. Net over/Under billings
5. Project cash flow analysis
6. Debt to equity (and other debt covenants)
7. Borrowing base
8. Net line utilization

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

The Irony

More contractors go bankrupt due to cash flow than profitability!!!!!

1. Most firms publish financials (BS & IS) monthly or quarterly
2. Very few firms regularly produce a statement of cash flows based on the current financials
3. Even fewer produce forward looking cash projections
4. Fewer still produce project level cash projections

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

Contract Cash Flow Analysis

XYZ Construction Company		1	2	3	4	5	6	7	8	9	10	11	12
For the Year Ended December 31, 2024				(1-2)			(4-5)			(7-8)	(6-9)	(10/1)	(10/3)
Job #	Description	Contract Amount	Total Estimated Cost	Estimated Gross Profit	Billings to Date	Contract Receivables & Retainage	Cash Collected	Cost to Date	Accounts Payable	Cash Paid	Net Cash Flow Position	Cash Flow to Contract Percentage	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%**

12-Week Look Ahead Cash

Twelve week Lookahead Cash Forecast													
For Period beginning June 1, 2024													
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total Cash
Weeks beginning on Monday	2-Jun	9-Jun	16-Jun	23-Jun	30-Jun	7-Jul	14-Jul	21-Jul	28-Jul	4-Aug	11-Aug	18-Aug	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	
Cash Receipts													0
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
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 (Repays) on L of C	**0**	**0**	0	0	0	0	0	0	0	0	0	0	**0**
(Invt.) Draws on S/T Invt.	**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**	

AR GL Balance	**8,368,533**
AR Retention	**2,167,949**
AP GL Balance	**1,105,180**
AP Sub Balance	**786,407**
AP Retention	**140,285**

Best Practices to Improve Cash Flow

Schedule of Values

Billings and Collections

Leveraging Trade Credit

Cash Demand

Sustainable Growth Rate (SGR)

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

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

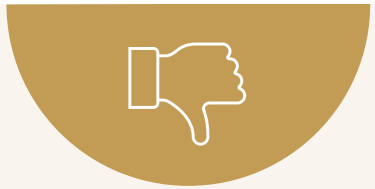
Do not unbalance labor activities as this may have negative impact during dispute or claim

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

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

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

Building Effective SOV's

01 Identify phases of work to break out separately for billing categories

- No lump sum bills
- Mobilization, submittals, detailing and etc. to be included

02 Review estimate for estimated costs in each phase of work

03 Review schedule for sequencing of phases

04 Place as much costs in the early phases of the project in order to front load the values

05 Break out systems and material packages for separate billing categories

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

SOV Worksheet

Job Name: XXXXX					Job#: ######						
Phase Description	**Extra**	**Roll Up**	**Labor Hrs**	**Labor $$**	**Material $$**	**Quotes $$**	**DJE $$**	**Total w/MU**	**Adjustment**	**SOV Amounts**	**Loading**
				$				$		$	
				$				$		$	
				$				$		$	
				$				$		$	
				$				$		$	
				$				$		$	
				$				$		$	
				$				$		$	
				$				$		$	
				$				$		$	
				$				$		$	
				$				$		$	
				$				$		$	
				$				$		$	
				$				$		$	
				$				$		$	
				$				$		$	
				$				$		$	
				$				$		$	
Totals			**0**	**$**				**$**		**$**	**0.0%**
Labor Rate:			$								
Markup Rate:			**0%**					**Contract Amount (=All Divisions)**		**$**	

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 sub division 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.**

SOV Worksheet

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	$195,727	$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				**Contract Amount (=Electrical+RMI+Telecom)**			**$1,733,882**	
Markup Rate:			21%								

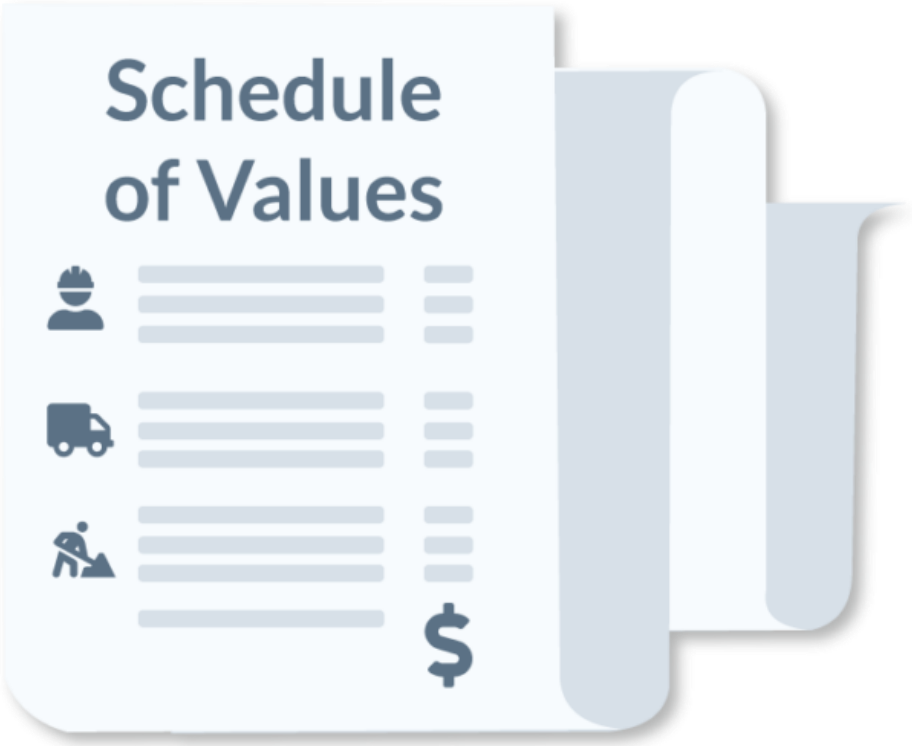
Notes:

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.**

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?

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

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 required

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
  - As-builts, O & M's etc.

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

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**

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

Cash Collections and Profit

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			

($109,218)
($312,248)

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

Cash Collections and Profit

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		

($49,225)
($560,019)

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

Cash Collections and Profit

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	

($130,491)
($758,565)

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

Cash Collections and Profit

Cost of Capital – Assuming 12% Alternative Investment Return

	Monthly Cost of Capital										
	1	2	3	4	5	6	7	8	9	10	Total
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)**

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

Collection Strategies

01 Implement formal internal escalation process

02 Communicate non-payment and obtain customer commitment to pay

03 Appoint an internal “bird dog” ($3M in 30-days)

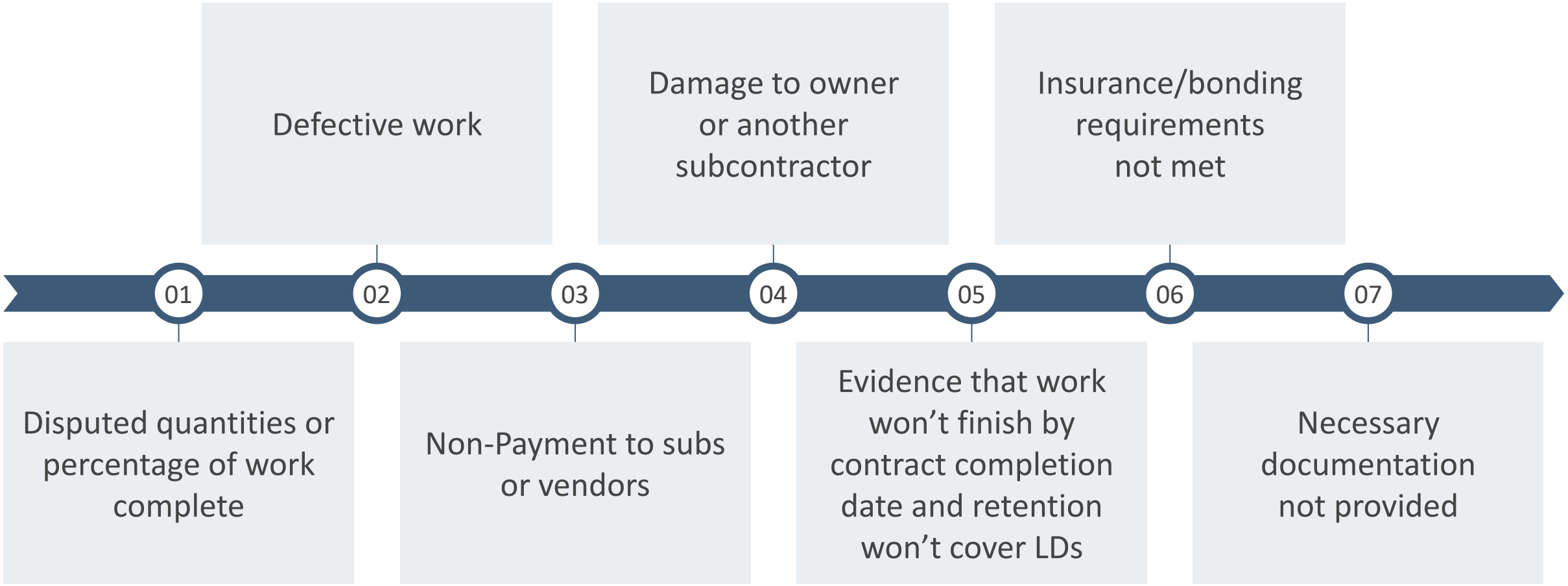
04 Include DSO as performance metric for Project Managers

05 Charge PM’s interest on negative cash position

06 Automate using report runner, notifier function, my assistant, SSRS, etc.

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

Why Invoices are Held Up

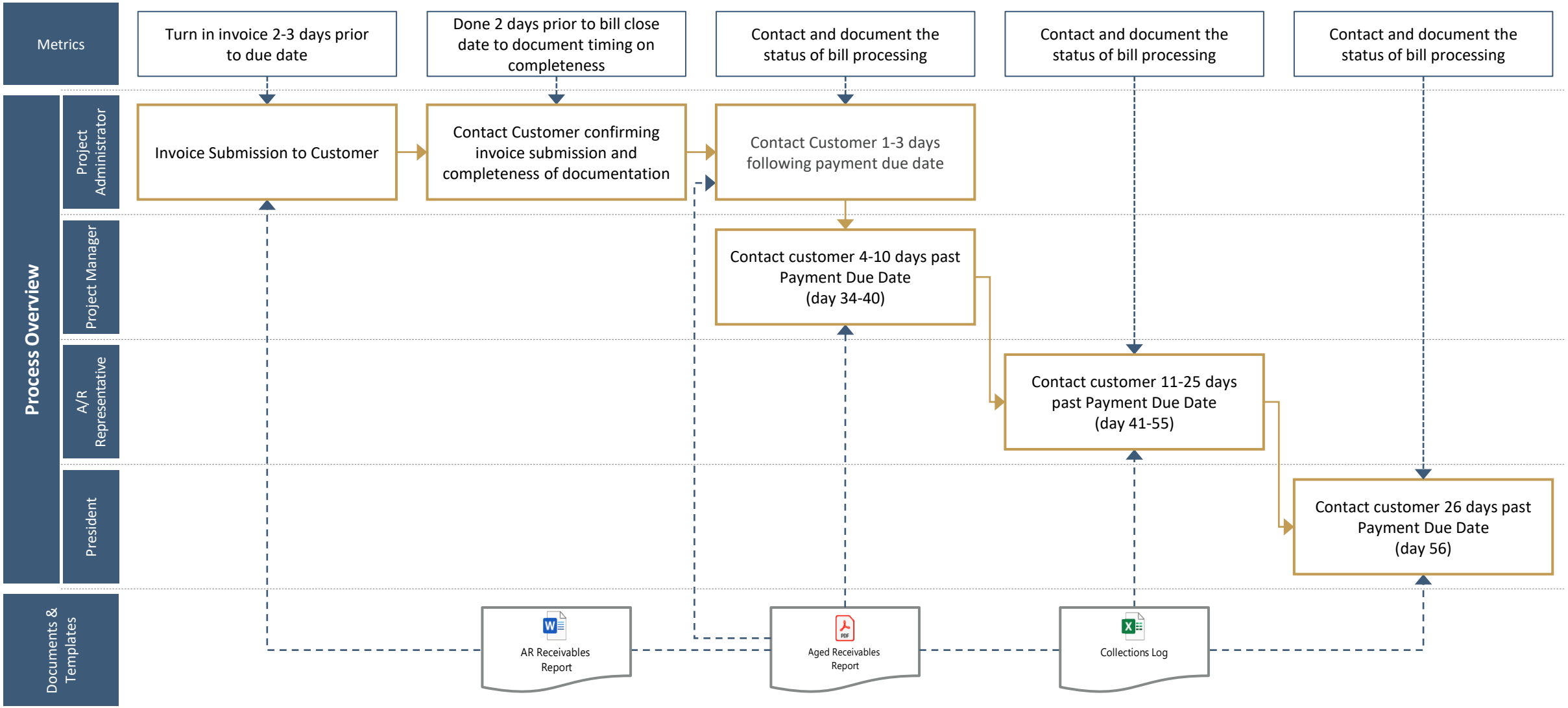


AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

Collection Strategies

Aged Receivables Report									Print Date: 08/29/2025
Job	Job Name	Div	Balance	Current	PC 31 to 33	PM 34 to 40	A/R Rep 41 to 55	DM/VP > 56	Retainage
0222	Example 1	10	17,819.75	0.00	0.00	0.00	0.00	17,819.75	0.00
0236	Example 2	10	62,458.57	0.00	0.00	0.00	0.00	62,458.57	0.00
0244	Example 3	10	40,550.64	0.00	0.00	0.00	0.00	40,550.64	66,270.29
0245	Example 4	10	73,499.99	0.00	0.00	0.00	0.00	73,499.99	62,829.67
0249	Example 5	10	338,179.60	0.00	0.00	0.00	0.00	338,179.60	161,199.26
0253	Example 6	10	107,439.66	0.00	0.00	27,920.88	0.00	79,518.78	0.00
0254	Example 7	10	3,705.00	0.00	0.00	0.00	0.00	3,705.00	111,973.06
0256	Example 8	10	56,008.09	0.00	0.00	0.00	0.00	56,008.09	76,687.94
0261	Example 9	10	488,034.15	0.00	488,034.15	0.00	0.00	0.00	0.00
0263	Example 10	10	193,320.73	0.00	0.00	0.00	0.00	193,320.73	0.00
0265	Example 11	10	101,228.65	101,228.65	0.00	0.00	0.00	0.00	16,140.09
0268	Example 12	10	1,104.84	1,104.84	0.00	0.00	0.00	0.00	0.00
Total for Division		10	1,483,349.67	102,333.49	488,034.15	27,920.88	0.00	865,061.15	495,100.31

AR Escalation Process Example



Recovery of Past Due Receivables

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

Remember: Old receivables get older!!!

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

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

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

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

What Does it Mean?

What rate of growth can the company sustain?

How efficient are operations?

What affects the profit margins have on growth rate?

How to identify product lines and customer segments with growth potential?

What determines business attractiveness for investment prospects?

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

SGR Calculation

SGR = p(1-d)(1+L) / (t – [p(1-d)(1-L)])

p = net income / total sales = 6,734,092 / 69,419,170 = 0.097

d = (cash dividends + stock dividends) / net income = (0 + 6,078,217) / 6,734,092 = 0.9026

L = total Liabilities / (net worth – intangibles) = 21,259,7750 / (13,718,927 – 0) = 1.5497

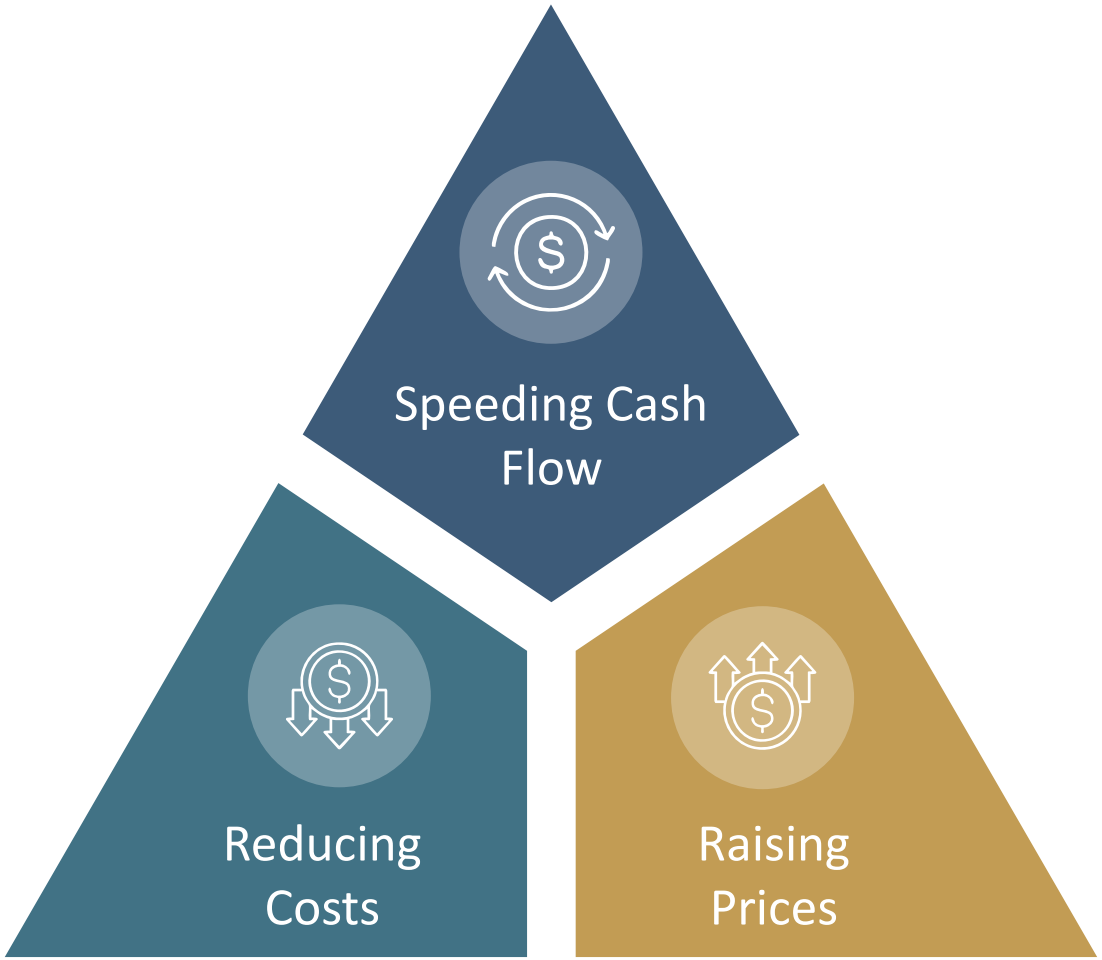
t = total assets / total sales = 34,978,677 / 69,419,170 = 0.5039

SRG = 0.097(1-0.9026)(1+1.5497) / (0.5039 – [0.097(1-0.9026)(1-1.5497)])

SGR = 0.0473

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

Three Strategies to Improve SGR



AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

Factors that Affect SGR

01 Income taxes

02 Depreciation and asset replacement

03 Investing in additional fixed assets

04 Investing in R&D and marketing

05 Different product lines within a business

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

Other Cash Flow Considerations

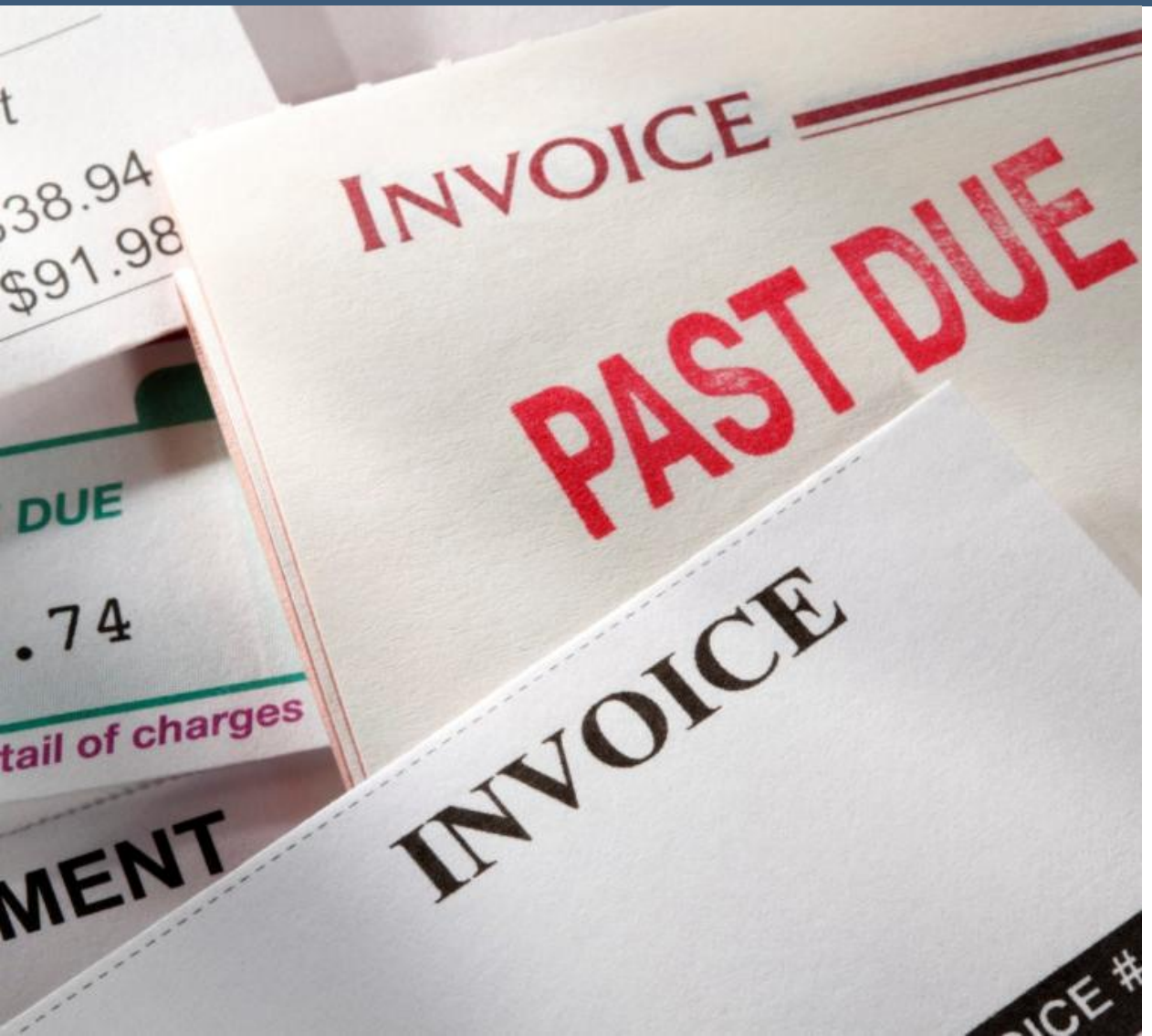
Best 98% Contractor in town?	Punch list strategies (internal, interim, final)	Lease vs. Purchase Decisions
Secondary Banking Relationships (WF Departure?)	Understand your WACC and incorporate into changes and claims	Modified depreciation methods
Maximize section 179D deductions	Credit Memo in Lieu of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

AMERICAN SUBCONTRACTORS ASSOCIATION
maxim CONSULTING GROUP

“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

AMERICAN SUBCONTRACTORS ASSOCIATION | maxim CONSULTING GROUP

maxim
CONSULTING GROUP

Stephane McShane

Director

Maxim Consulting Group
9800 Pyramid Ct., Suite 400
Englewood, Colorado 80112
office: 303-688-0503
mobile: 559-871-0474

stephane.mcshane@maximconsulting.com
maximconsulting.com

Scan Me