

<u>COMPANY</u> FINANCIAL STATEMENT REQUIREMENTS

We want to continually serve your Bonding needs....supporting your growth plans. To assist in this effort, <u>Please</u> provide a copy of this letter to your CPA.

We need Year-end and Interim Six Month statements and each should be on a **Percentage of Completion Basis** and should include the following:

- * CPA <u>Cover Letter</u> This letter should describe the scope of the CPA's work, whether the statement has been prepared on a "compiled", "reviewed" or "audited" basis and should include a statement if the CPA is aware of any information which, if included in the statement, would materially effect the contents of the statements.
- * Balance Sheet Assets and liabilities should be distinguished as to "current" and "noncurrent" and any over and under billings should be shown.
- * Income <u>Statement</u> Included should be "gross revenues", "cost of construction", detailed "general and administrative expenses" and "income taxes".
- * Statement of Cash Flows
- * Appropriate Notes to Statement This should include information regarding the basis of income and expense recognition, depreciation method, over billing and under billing schedules, detail schedule of notes payable, income tax, affiliated or related transactions, and such other notes as deemed appropriate.
- * Schedules of Completed Contracts and Contracts in Progress These schedules should provide detailed information which balances to amounts shown on the Balance Sheet and Income Statement.

If you desire bonding with a single project limit <u>not exceeding</u>:

\$150,000 - we can accept an "In-house" prepared statement - at year-end and six months - prepared on a percentage of completion basis.

\$350,000 – we will need a CPA "compiled" statement – at year-end and six months.

More than \$350,000 - we need a CPA "reviewed" statement at year-end and a "compiled" at six months.

Cash basis or tax basis statements are <u>not acceptable</u>, bond companies require a <u>Percentage of Completion Basis Statement</u>. A Percentage of Completion Basis Statement provides numbers that reflect a true picture of your company – it allows the underwriter the opportunity to maximize bond limits.

Please do not hesitate to call if you have any questions. We will be happy to visit with your CPA, if you desire.

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