P-1 What to bring to a bonding meeting

The underwriter is deciding how much work your company can carry and what the surety would be left with if a job went wrong. Bring all of it to the first meeting; a file that arrives over several weeks slows the program.

Application

1. The surety's contractor questionnaire, filled in completely. Every carrier has one, and the underwriter checks everything else against it.

Statements

2. Year-end financial statements for the last three fiscal years, prepared by your CPA at the level your bond program requires (ask your agent which). Underwriters want the newest set within 90 days of year-end, and a late set costs capacity on its own.
3. Interim statements for the most recent quarter or month, on the same basis as the year-end set. If the year-end set is percentage of completion and the interims are cash basis, the underwriter has to bridge the difference and will do it conservatively.
4. Receivable and payable agings, with retainage shown separately from amounts past due.

Jobs

5. WIP schedule (contracts in progress) as of the statement date. For each job: contract including approved change orders, estimated total cost, cost to date, percent complete, billed to date, and over or under billing. The over and under billings should match the balance sheet to the dollar.
6. Completed contracts schedule for the year: final contract, final cost, and gross profit at completion beside the gross profit estimated along the way. Underwriters call the shrinkage fade.
7. Backlog: signed work not yet started, with expected start dates.
8. Your largest job to date, the largest single job you want to bid next, and the total backlog you want bonded.

Company and owners

9. The bank line: limit, amount drawn, maturity and covenants, with the most recent covenant calculation.
10. Personal financial statements for each owner, and spouse, who will sign the indemnity.
11. Key people: who estimates, who runs the jobs, who keeps the books, and how long each has done it.
12. Equipment list, owned and leased, if your work depends on it.

Questions to expect

- Any job showing a loss, and what has changed since.
- Underbillings that are large against your equity.
- Receivables past 90 days that are not retainage.
- Any gap between the gross profit on the WIP schedule and the gross profit on the income statement.

Have an answer ready for each before the meeting.

Prepared by Backlog Controller, which closes the books and builds the WIP schedule each month for contractors between $3 million and $20 million a year.