



Soren McAdam Christenson LLP

Services for the Construction Industry

Soren McAdam Christenson LLP (SMC) offers complete and expert accounting, tax, and advisory services. With decades of experience in this specialized field, we are uniquely positioned to work with you to enhance your company's performance in the construction industry.

We have assembled an in-house team of qualified professionals with the specialized knowledge needed to provide a wide spectrum of services needed by progressive contractors.

We know you deal with business and seasonal cycles, complex income tax and financial reporting issues, and very specific bonding and banking requirements. Additionally, you need integrated information systems, designed specifically for the contractor, to cut costs and increase efficiencies.

Our Construction Team members have a comprehensive understanding of the technical issues, as well as the economic, competitive, and legal environment in which you work.

The Four Categories of Construction Services

Financial Statements and Tax Services
Management Advisory Services
Computerized Information Systems for the Construction Industry
Accounting and Bookkeeping Services

Financial Statements and Tax Services

Specialized knowledge in the construction industry is necessary to properly prepare and format your financial statements so they will be accepted and trusted by the banks and bonding companies you deal with. SMC's reputation for integrity in attesting as to the fairness of contractors' financial statements, combined with our adherence to the AICPA's Construction Industry Audit Guide, assure you of the highest quality financial statements.

Due to the complexities of the tax compliance and planning issues you face, it is our construction partners, with years of experience, who manage your income tax situation. A shallow awareness of construction taxation is not enough.

We know that if we use our expertise to be creative and assertive in dealing with your financial statement and tax issues, your annual financial position and the results of your operations, as well as your after-tax wealth and retirement income amounts, will be maximized.

To view a complete set of our sample contractor's financial statements, please visit our website at www.smc-cpas.com/construction.

Management and Advisory Services

With an expert knowledge of construction accounting and an intimate understanding of your company, SMC is uniquely positioned to offer additional advisory services.

The following is a brief description of many of the services available to our contractor clients:

Operational Reviews – We can help you explore your business systems with the goal of increasing efficiencies and bottom line. It might be one element of the operation or many, or it might be a conceptual or even a philosophical issue that needs to be addressed. We help you explore the various business systems in place, with the goal of enhancing your profitability.

Break-Even Analysis – We help you understand the relationship between volume of work, gross profit percentage (or markup), and overhead in order to arrive at a break-even point. The break-even analysis can also lead you to address questions such as: Should you consider less profitable work during certain periods? Should you consider reducing your overhead?

Cash Flow Management – Understanding the cash flow of a specific job, or your entire company, is valuable information which is sometimes requested in conjunction with acquiring a line-of-credit or a bond. We design tools to help you project cash flow on an on-going basis. This is not just a "troubled times" tool; your company will use this to manage every significant job, as well as the entire company.

Insurance Costs Analysis – As insurance costs continue to rise, we can analyze your policies, rate applications, and carriers, including workers' compensation, liability, and health insurance, and create new insurance arrangements to help you reduce these significant costs.

Cost Segregation Studies – We explore opportunities to defer your income taxes and enhance your current cash flow. These studies show where the depreciable lives of certain assets within your building can be shortened, thus increasing your current depreciation deduction, deferring your income taxes, and providing you with more cash.

Incentive Compensation Plans – Using the resources of our Construction Team and PKF, an international network of independent accounting firms, we help you design an incentive compensation plan to motivate your employees, create loyalty, and enhance your company's profits.

Mergers and Acquisitions Guidance – In addition to simply counseling you on the advisability of merging with or acquiring a company, we perform the “due diligence” work needed in conjunction with any merger or acquisition.

Business Valuations – We offer professionals who are certified to perform business valuations and are respected statewide for their knowledge in this area.

Litigation Support – We can perform litigation support for you in conjunction with construction claims or in any other area where an expert witness might be needed.

Personnel Searches – We can help you identify and evaluate candidates. Our networking in the construction industry allows us to find management or clerical people without the use of a personnel agency. We also are aware of the agencies that are currently doing the best job in finding needed people in the construction industry.

Succession, Retirement and Estate Planning – We can assist you with comprehensive planning that is sensitive to your business, personal and family issues, and critically important to the management of your wealth. This issue should not be taken lightly, nor should it be ignored. We will explore all of the available alternatives with you. SMC's in-house tax attorney will help you consider all of the elements involved in this challenge including: management continuation, guarantee and indemnity issues, discontinuing the liability connected with owning a business, collateralization of the business sale, investment of the proceeds, annual income and cash flow issues, bequeathing, gifting and life insurance considerations.

Banking Relationships – Based on our history and contacts throughout Southern California, we can assist you with the selection of a bank, the preparation of your loan packages for revolving lines of credit, equipment or real estate financing, and SBA loans. We also help you negotiate the loan agreement, including the financial covenants requested by the bank.

Bonding Process – SMC's package preparation is considered superior by bonding companies. We can assist you with the selection of a bonding representative, and with the preparation of the package of information on which your bonding agent and bonding company will base their decision regarding your bonding limits.

Referrals to Other Professionals – We often assist our clients with the selection of attorneys, insurance agents, pension plan administrators, and other professionals who are familiar with the unique issues facing the construction contractor.

Controller or Clerical Functions – We can provide temporary or ongoing help with the entire accounting function, or certain clerical aspects.

Computerized Information Systems for the Construction Industry

SMC's broad construction industry experience translates into superior and up-to-date knowledge in software selection. We can:

- ✓ Demonstrate specific software packages and independently explain differences
- ✓ Match your need for specific software, utilizing our complete understanding of the construction industry.
- ✓ Manage the installation process, anticipating problems and protecting ongoing business functions while accurately importing data
- ✓ Provide full training to allow for complete utilization of the package, and coordinate the export of data to peripheral systems.

Our specialized Information Technology Team members have degrees in accounting, in-depth experience with construction clients, and are highly trained in current construction software packages. Their comprehensive expertise is unmatched in this region.

Our goal is to enable quick and accurate reporting, allowing you to make timely and profitable decisions. We can tackle projects that are small and targeted, or that are comprehensive.

With SMC's broad experience, our team has been able to creatively problem solve specific and unanticipated contractor issues. We have replaced time-consuming and expensive manual data collection systems, corrected others' incomplete or faulty software installations, and developed specific estimating tools. Our solutions have saved clients hundreds of thousands of dollars.

The Software Selection Process

While software vendors understand their products, they don't always understand the business or operations of a construction company. And, while contractors understand their business, it can be difficult for them to communicate their needs to a software vendor. We have been successful helping our clients bridge that gap.

While comparing software during the selection process, we have no conflicts of interest concerning the system you choose. We want the one that best serves your specific needs.

Our Construction Team's involvement during the software selection process provides a number of benefits:

- ✓ Analysis of specific needs that might otherwise be overlooked,
- ✓ Demonstrations of specific software packages with awareness of the meaningful differences and
- ✓ Matching your needs with the performance attributes of various software packages.

The Installation Process

Extreme care is needed in planning a software installation. As construction accountants familiar with a contractor's office and field issues, we anticipate problems that can occur during the planning process. We make sure there is total coordination between ongoing business needs and the demands of the installation.

A software conversion is a tremendous task. It can take much longer than anticipated and be extremely frustrating to management. By explaining and guiding you through the timeline, we can help you to be realistic about the installation process.

Accurate data extraction and importing are key to the success and timeline of a software installation, and require careful planning. A contractor's staff is already busy. Asking them to take on this intense and critical task can be a mistake. We can help your existing staff, or we can provide temporary staff to assist with this huge data entry job.

Our experience indicates that most companies who do their own installations do not fully utilize their software. Instead, they create manual processes to compile information that is readily available in their accounting system and is easily exported to peripheral systems. We help you fully understand and utilize your computerized information systems.

It is our sincere belief that our team will not only make the conversion process less traumatic, but that we will discover ways to save time and increase profits.

SMC can help you obtain better information, and obtain it faster. Better and faster information means better and more timely decisions. Better and timelier decisions mean more time availability for your teams and higher profits for you. Information needs to be current. The fresher the information, the quicker your teams can react.

Value in Good Reporting

Our Construction Team's involvement in the design and creation of your reporting, based on your computerized information systems, can enhance profitability and create more time for meaningful activities.

When your company manually accumulates information into spreadsheets, they typically increase task time and decrease accuracy. We coordinate reports that come from the information system, eliminating the need to rely on outside systems.

Our system designs for good reporting save time and create an annuity by allowing needed analysis to be performed repeatedly, quickly, and accurately. Good reports allow prompt changes in the performance of a simple task, or in the broad approach to a job.

Creating Good Reports

SMC's information technology people know construction oriented accounting; they know the operational aspects of a construction company, both in the office and in the field; they know construction software; and they know how to use the primary or peripheral software. This expertise allows our team to:

- ✓ Discuss problems or needs with your key people
- ✓ Identify the need for a report
- ✓ Anticipate the information needed
- ✓ Provide for recurring integration of the information
- ✓ Design a report that is readily available and easy to understand
- ✓ Design an information extraction and export process
- ✓ Consult with your key people on decisions based on the report.

Examples of Problem Solving Through Superior Systems

The following are examples of how our Construction Team has helped contractors solve problems common to many construction companies:

- **A contractor's project managers were spending several hours manually gathering job cost information (units of hours, equipment and dirt moved) in order to explore an apparent problem on a job.**

Our team recognized how to extract the needed information, and then used pivot tables to design a dynamic report that allowed those project managers to analyze up-to-date units of production information in a matter of seconds. They could look at this report, on any phase, of any job, at any time.

- **Estimators were struggling with the measurement of their fully burdened equipment and labor rates.**

Our team implemented a change that provided the contractor with a method of obtaining all needed equipment and labor rates. But more importantly, while they were investigating the problem and designing the solution, they discovered that the contractor was using erroneous workers' compensation insurance rates. Our knowledge and attention to detail saved this contractor significant annual premiums.

- **During the process of trouble shooting someone else's recent software installation, the owner of a residential framing company happened to mention that he would really like to have a tool that would allow him to quickly determine exact lumber needs for a specifically defined wall, room or house.**

After talking to the owner in detail, our team found that he wanted to know how many pieces, of specific dimensions, would be needed to do the framing. This information would allow him to order the appropriate quantity and size of lumber. Knowing what the waste should be for a certain wall (or room or house) would allow him to better assess the effectiveness of his employees involved in the cutting process. He could then save money on both his labor costs and his material costs. Realizing that there really is value in good reporting, the owner is now asking us to explore other aspects of his information systems.

The Varying Size of Systems Engagements

Spending a few hours with one of our Construction Team experts, discussing the design of a tool to extract and analyze information, or assessing a particular capability of a newly installed computerized accounting system, could provide great value with only a short engagement.

On the other hand, an engagement to select and install a comprehensive computerized information system can cost tens of thousands of dollars. The key to spending that much money is to get the full value from the system. Your staff should know how to operate it smoothly and not be afraid of it. The system should provide all of the reports needed to manage every aspect of your company and every element of your construction projects.

Our team, with their knowledge of accounting, software, and the construction industry, can add tremendous value to your information system and its complete use, with just an hour meeting, or through a carefully planned, totally comprehensive software selection and installation process.

Traditional Accounting and Bookkeeping Services

If you don't have the staff, the time, or the inclination to handle your routine accounting functions, SMC can provide partial or complete services. We can partner with you in payroll, general ledger adjustments, financial statements, H.R. reports, filing requirements, and valuable guidance through the bureaucratic pitfalls of business formation.

Our highly trained Accounting Team can assist in the following ways:

- ✓ We can classify and record your cash receipts and disbursements. We then create and adjust your general ledger, and format, compile, and publish your financial statements.

- ✓ We can perform all aspects of your payroll function including job costing, application of payroll burdens, certified payrolls, preparation of all payroll, insurance, and union reports.
- ✓ We have the knowledge to help you meet all government, union, bank and insurance regulatory filing requirements.
- ✓ We have people who have been designated by QuickBooks as “Pro-Advisors.” They are available to contractors who need to be more self-sufficient and who perform more accounting functions internally.
- ✓ We frequently deal with contractors who are just getting started. We have developed a checklist to help guide them through all of the administrative and bureaucratic pitfalls awaiting the unsuspecting, rookie contractor.

Our proudest moments come when we have worked with a contractor to the point where he has weaned himself from our accounting support and has become self-sufficient.

The Construction Team at SMC Takes Your Success Seriously

At SMC we take the success of our clients seriously by continually providing the kind of expertise and support that creates on-going value for clients.

Value in accounting and advisory services is created by maintaining high standards of excellence, while providing a complete menu of professional offerings. SMC is just the right size to maximize our relationships with clients, as we offer the kind of in-depth expertise that all successful businesses will eventually need.

Call Us

We invite you to learn more about SMC at our website, or to give Gary Christenson, Jim Soren, or Cindy Watts a call to explore any question you may have about how we can be of service.

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