

CPA Accounting Firm Name

Address & Phone Number

SAMPLE

XYZ Contracting Corporation

Financial Statements

December 31, 20XX

CPA Accounting Firm Name

Address & Phone Number

Table of Contents

	Page
Accountant's Review Report	1
Financial Statements	
Balance Sheet	2
Income Statement	3
Schedule of General and Administrative Expenses	4
Retained Earnings Statement (Statement of Net Worth)	5
Statement of Cash Flow (Cash Flow Analysis)	6
Notes to Financial Statements	7-8
Accounts Receivable Aging Schedules	9

CPA Accounting Firm Name

Address & Phone Number

To the Stockholders of XYZ Contracting Corporation:

We have reviewed the accompanying balance sheet, income statement, retained earnings, cash flows and schedules of general and administrative expenses for the years then ended, in accordance with Statements on Standards for Accounting and Review Services, issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of XYZ Contracting Corporation.

A review consists primarily of inquiries of Company personnel and analytical procedures applied to the financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Signed,

CPA Accounting Firm

Date

XYZ Contracting Corporation

Balance Sheet

December 31, 20XX and 200X

ASSETS

Current Assets:	<u>20XX</u>	<u>200X</u>
Cash and Cash Equivalents	\$1,191,729	\$1,158,079
Accounts Receivable:		
Trade, net of allowance for doubtful accounts	1,649,073	2,387,469
Retainage	445,682	436,199
Other	6,184	---
Inventory	205,213	131,905
Costs and estimated earnings in excess of billings on uncompleted contracts	100,094	397,331
Deferred taxes	29,218	---
Prepaid expenses	<u>28,857</u>	<u>10,569</u>
Total Current Assets	3,656,050	4,521,552
Property and Equipment:		
Machinery and equipment	228,238	195,671
Vehicles	<u>279,562</u>	<u>228,546</u>
Subtotal	507,800	424,217
Less accumulated depreciation	<u>(265,917)</u>	<u>(213,535)</u>
Property and Equipment, net	241,883	210,682
Total Assets	<u>\$3,897,933</u>	<u>\$4,732,234</u>
Current Liabilities:		
Notes payable, short-term borrowing	\$1,113,264	\$1,441,518
Notes payable, current portion	14,847	8,282
Accounts payable	733,259	841,840
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>221,652</u>	<u>418,196</u>
Total current liabilities	2,083,022	2,709,836
Notes payable (less current portion above)	<u>567,676</u>	<u>1,438,915</u>
Total liabilities	<u>\$2,650,698</u>	<u>\$4,148,751</u>
Stockholders' Equity:		
Common Stock, no par value, 20,000 shares issued and outstanding	20,000	20,000
Retained Earnings	<u>1,227,235</u>	<u>563,483</u>
Total stockholders' equity	<u>1,247,235</u>	<u>583,483</u>
Total liabilities and stockholders' equity	<u>\$3,897,933</u>	<u>\$4,732,234</u>

XYZ Contracting Corporation

Income Statement

For the Years Ended December 31, 20XX and 200X

	<u>20XX</u>	<u>200X</u>
Gross Contract Revenues:	\$10,033,914	\$8,924,022
Direct Costs:		
Materials	2,547,524	264,190
Direct labor	2,036,783	3,659,453
Payroll taxes	314,737	268,098
Subcontracting	1,420,067	2,036,679
Insurance	12,466	31,172
Other direct costs	<u>34,512</u>	<u>45,596</u>
Total direct costs	6,366,089	6,305,188
Gross Profit	3,667,825	2,618,834
General and administrative expenses	<u>2,893,159</u>	<u>2,117,908</u>
Profit (loss) before other income and (expenses)	774,666	500,926
Other Income (expenses):		
Other Income	34,800	23,200
Interest income (expense)	<u>(122,263)</u>	<u>(106,698)</u>
Total other income (expense)	(87,463)	(83,498)
Earnings (loss) before taxes	<u>687,203</u>	<u>417,428</u>
Provision for taxes (deferred):	<u>(23,451)</u>	<u>30,702</u>
Net income (loss):	<u>\$ 663,752</u>	<u>\$ 386,726</u>

XYZ Contracting Corporation
Schedule of General and Administrative Expenses
For the Years Ended December 31, 20XX and 200X

	<u>20XX</u>	<u>200X</u>
General and administrative expenses:		
Office Salaries	\$ 149,548	\$ 180,057
Officer Salaries	215,384	172,987
Labor Salaries	371,667	430,474
Payroll taxes	86,686	83,949
Pension	236,108	306,937
Advertising	2,253	19,682
Bad debt expense	--	5,050
Communications	41,408	40,126
Depreciation	51,747	41,684
Dues and subscriptions	35,686	30,796
Insurance	103,329	131,172
License, permits and fees	8,299	9,376
Office supplies and expense	118,091	171,115
Plan prints	2,786	3,240
Professional fees	64,000	73,000
Rent	614,834	86,471
Travel and entertainment	155,871	206,524
Utilities	<u>645,462</u>	<u>125,268</u>
Total general and administrative expenses	<u>\$2,893,159</u>	<u>\$2,117,908</u>

XYZ Contracting Corporation
Statement of Retained Earnings (Net Worth)
For the Years Ended December 31, 20XX and 200X

	<u>20XX</u>	<u>200X</u>
Retained Earnings, January 1	\$ 563,483	\$433,757
Net income (loss)	663,752	386,726
Distributions to stockholders	<u> </u>	<u>(257,000)</u>
Retained Earnings, December 31	<u>\$1,227,235</u>	<u>\$563,483</u>

XYZ Contracting Corporation

Statement of Cash Flows

For the Years Ended December 31, 20XX and 200X

	<u>20XX</u>	<u>200X</u>
Cash flows from operating activities:		
Net income (loss)	\$ 663,752	\$ 386,726
Adjustments to reconcile net income (loss to net cash provided (used) by operating activities:		
Depreciation	52,380	42,317
Deferred taxes	(27,920)	---
Bad debt	--	5,050
(Increase) decrease in assets:		
Accounts Receivable	722,729	(514,312)
Inventory	(68,308)	(3,374)
Costs and estimated earnings in excess of billings on uncompleted contracts	297,237	(236,666)
Prepaid expenses	(18,288)	34,786
Deposits	(100)	3,020
Increase (decrease) in liabilities:		
Accounts payable	(32,846)	350,268
Accrued expenses	(75,735)	(16,879)
Billings in excess of costs and estimated earnings on uncompleted contracts	(139,377)	(304,739)
Payroll taxes withheld and accrued	(20,325)	15,341
Deferred revenue	(15,840)	15,840
Accrued taxes	<u>(21,002)</u>	<u>21,002</u>
Net cash provided (used) by operating activities	<u>1,316,357</u>	<u>(201,620)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(88,482)</u>	<u>(122,990)</u>
Net cash provided (used) by investing activities	<u>(88,482)</u>	<u>(122,990)</u>
Cash flows from financing activities:		
Proceeds from notes payable	\$7,186,109	\$6,825,590
Payments on notes payable	(8,380,334)	(6,188,147)
Distribution to stockholders	-----	<u>(257,000)</u>
Net cash provided (used) by financing activities	<u>(1,194,225)</u>	380,443
Net increase in cash and cash equivalents	33,650	55,833
Cash and cash equivalents, January 1	1,158,079	1,102,246
Cash and cash equivalents, December 31	<u>\$ 1,191,729</u>	<u>\$ 1,158,079</u>

XYZ Contracting Corporation

Notes to Financial Statements

1. **Summary of Significant accounting policies:**

Business activity: XYZ Contracting Corporation was formed on February 1, 19XX. The Company serves as a general contractor for government, institutional and commercial projects in the New York/New Jersey metropolitan area. Construction work is generally performed under fixed-price contracts.

Cash and cash equivalents: Cash and cash equivalents include cash on hand, cash balances and all highly liquid investments with a maturity of three months or less at the time of purchase. The Company maintains cash balances at several financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000 (temporarily increased to \$250,000 per institution through December 31, 2013) and may exceed the federally insured limits.

Accounts receivable: Trade receivables are recorded when invoices are issued and are presented in the Balance Sheet net of allowance for doubtful accounts. Trade receivables are written off when they are deemed uncollectible. The allowance for doubtful accounts is estimated

Revenue recognition: The Company uses the accrual method of accounting for all income. The percentage of completion method is used for construction contracts. Deferred revenue is for the income received for service agreements, which were not expired at year end.

Inventory: Inventory is stated at lower of cost or market. Cost is determined by the last-in, last-out method.

Long-term construction contracts: The Company recognizes revenues from fixed-price and modified fixed price construction contracts on the percentage-of-completion method, measured by the percentage of cost incurred to date to estimated total cost for each contract. Contract costs include all direct material and labor costs.....

The asset "costs and estimated earnings in excess of billings on uncompleted contracts" represents revenue recognized in excess of amounts billed. The liability "billings in excess of costs and estimated earnings on uncompleted contracts" represents billings in excess of revenues recognized.

Property and equipment: Property and equipment are stated at cost. The costs of additions and improvements are capitalized and repairs and maintenance are expensed as incurred.

Depreciation: Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, which are generally from 5 to 7 years.

Income Taxes: The stockholders have elected to have the Company treated as an “S” corporation for income tax purposes as provided in Section XXXX of the Internal Revenue Code, etc. An S corporation is generally not subject to federal income tax and is subject to ____ state tax on entire net income

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

2. Short-term notes payable:	20XX	200X
The Company has an available \$100,000 line of credit with ____ Bank, due on demand with an Interest rate of 5.5%, expiring July 20XX	\$ 63,928	\$ 61,985
The Company has an available line of credit in the amount of \$500,000 with ____ Bank, due on demand at the interest rate of 5%	\$ 389,100	\$ 390,849
The Company has an available line of credit with ____ Bank in the amount of \$1,000,000. The interest rate is Prime plus 1%	<u>\$ 660,236</u>	<u>\$ 988,684</u>
	\$1,113,264	\$1,441,518

3. **Long-term notes payable:**

As of December 31, annual maturities of long-term notes payable outstanding are as follows:

Year Ended December 31:	Amount
20XX	\$ 14,847
201X	\$540,124
201X	\$ 25,137
201X	<u>\$ 1,117</u>
Total	<u>\$581,225</u>

4. **Costs and estimated earnings on uncompleted contracts:**

	20XX	200X
Costs incurred on uncompleted contracts	\$5,753,187	\$5,004,049
Estimated earnings	<u>1,775,277</u>	<u>1,529,307</u>
Cost of work performed	7,528,464	6,533,356
Less billings	<u>7,048,250</u>	<u>5,495,282</u>
Excess billings (costs)	<u>\$ 480,214</u>	<u>\$ 1,038,074</u>

XYZ Contracting Corporation

Accounts Receiving Aging Schedule

For the Years Ended December 31, 20XX and 200X

Job No. and Name	Total Accounts Receivable	Current	Over 30 Days	Over 60 Days	Over 90 Days	Retainage	Subsequent collection through 5/1/20XX
1047 Court	400,276	135,190	260,460			4,626	356,500
2452 XF Air	1,450,350	59,087	360,257	562,042	73,287	395,677	247,520
4721 PS 23	45,690	35,201	5,301			5,188	
4509 HANO	268,439	40,348	489	87,411	100,000	40,191	176,530
Totals	2,164,755	269,826	626,507	649,453	173,287	445,682	789,550

Reconciliation to Balance Sheet:

Gross Accounts Receivable at 12/31/20XX	\$2,164,755
Less Allowance for Doubtful Accounts	<u>70,000</u>
Collectible Accounts Receivable	\$2,094,755
Less Retainage	<u>445,682</u>
Net Accounts Receivable	<u><u>\$1,649,073</u></u>