



CONSTRUCTION[™]
ACCOUNTING
NETWORK

Menu of Services



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Construction Accounting Network



Menu of Services

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Benchmarking and Analytical Review

What It Is:

- Review of a company's overall financial picture compared to other businesses of the same type, size and location
- Graphical financial analysis that is a tangible product to offer to clients (and assist with its interpretation)
- Compares current financial information to historical financial information and to industry averages or benchmarks

How It Benefits the Client:

- Determines where possible efficiencies and deficiencies exist with respect to the financial situation
- Presents a calculation of key financial ratios useful to management, bonding and surety companies and lending institutions Provides recommendations of how to correct deficiencies

Budgeting and Cash Flow Analysis

What It Is:

- Budgeting: Takes client data and forecasts results of operations based on assumptions relative to an individual or company's income and expenses for a specified period in the future. You can show your clients how to gain better control over their business by preparing budgets for cash flow and profit planning and using these vitally important management control tools.
- Cash flow analysis: Provides a review of the timing of cash receipts and payments. Often, opportunities exist to implement procedures that will improve cash flow. This engagement focuses on the identification and implementation of these procedures.
- Go beyond the budgeting process to help your clients interpret periodic reports. These reports include detailed Key Performance Indicators that apply to each of the critical areas of a business such as contract margins, product line margins and specific equipment profitability analysis.
- Reports should be reviewed with the client monthly, and the client's operating plan should be reviewed every quarter.

How It Benefits the Client:

- Allows the individual or business owner to estimate future financial performance by examining and analyzing available information. These are often vital tools in working with lenders to obtain additional financing or lower rates.
- The cost of money (interest) is often a significant financial factor to clients. This cost includes missing interest in the opportunities as well as incurring interest expense. We focus on maximizing the efficiency of a client's cash flow cycle.

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Business Transition and Succession Planning

What It Is:

- Efficient and orderly transfer of both the ownership and management interests of the business in the event of death, disability or retirement that carries out the strategies and desires of the business owner(s)

How It Benefits the Client:

- Fulfills the intentions of the business owner(s)
- Minimizes the disruption of the business and potential conflict and litigation among successor owners

Business Valuation

What It Is:

- Establishes the dollar value of a business based on a combination of the income, asset and market methodologies:
- Income approach is based upon the present value of future benefits of ownership (discounted cash flow) and the historical capitalized net excess cash flow of the business
- Asset approach assigns a market value to each individual asset and liability of the business
- Market approach is a comparison of similar businesses that have sold and for which a price is known.
- Valuation results induce an estimated total value of the business

How It Benefits the Client.

- Provides an owner with an impartial measure of the worth of his or her business that is a beneficial tool for a variety of reasons
- Critical management and planning tool - valuations provide a better understanding of the true profitability of a business. Historical cost can present a distortion of a company's value. A valuation can help determine if the return investment is adequate or increasing.
- Offers guidance for business decisions involving:
 - Business acquisitions or divestures
 - Buy/sell agreements
 - Expansion/contraction of business lines
 - New shareholder purchases
 - Shareholder disputes
 - Employee stock ownership plans (ESOPs)
 - Financial planning
 - Insurance planning
 - Value building
 - Bankruptcies & reorganizations
- Valuations also assist personal decisions involving:
 - Preparation of personal financial statements
 - Information for divorce proceedings
 - Estate planning financial statements
 - Succession planning
 - Gifting programs proceedings
 - Legal matters



Claims Preparation, Analysis, Consulting

What It Is:

- Assisting the client with proper recordkeeping and documentation, claim preparation and analysis to defend a claim against the contractor Determining the damages related to contract claims and assist/support legal counsel in the resolution/mediation/arbitration/expert testimony of the claim

How It Benefits the Client:

- Minimizes the impact of a claim against the contractor such as delay (including direct costs and extended overhead), loss of productivity, deficient design, contract interpretation, scheduling and insurance claims

Cost Segregation

What It Is:

- Enables businesses to achieve the highest levels of federal tax depreciation to be claimed on facilities whether they are newly constructed or acquired.
- Provides an accurate allocation of construction costs to the underlying assets in such a manner as to provide for more rapid depreciation of certain fixtures while also generating the appropriate property tax cost allocations. These assets include elements that are not structural components of buildings.

How It Benefits the Client:

- Allows the company to take advantage of the accelerated depreciation applicable to certain fixtures and related assets. The cost basis of those assets will be recovered through depreciation and amortization over a shorter period of time, thus generating current tax benefits.
- Provides a more accurate representation of the property tax basis to be used in the property tax reporting and assessment process.
- Assigns cost to the assets which are allowed a shorter depreciable recovery period under the tax law. Depending on effective tax rates, a 20 percent savings is generated on every dollar that is allocated to a seven-year asset instead of depreciable realty. The tax savings resulting from cost segregation can range from a small amount to hundreds of thousands of dollars.
- Can be performed on facilities placed in service in prior years without the need to amend past tax returns.
- Increased depreciation in the early years of ownership resulting in increased tax savings and more available cash flow.
- A proposal identifying the estimated tax savings to be realized the first year, the net present value of the tax savings over the remaining life of the facility, and the professional fees associated with performing the analysis will be provided.
- The fees are not contingency-based, but are based on the hours required to do the work. A benefit-to-cost rationale within the proposal ensures a multiple of the fees in tax savings the very first year. The positions taken with respect to property classifications are well documented and supported in the report provided as part of the study. As a result, what will be clear is the magnitude of the tax savings potentially resulting from the analysis.
- Cost segregation exists because of changes in U.S. tax laws; therefore, these facility studies have been examined by the IRS and have withstood the agency's scrutiny.



Employee Benefit Trusts

What It Is:

- Merit-based (non-union) contractors have options for reporting on public works projects, including alterations for fringe benefits by setting up VEBAs and Employee Benefit Trusts.
- We can assist with analyzing the benefit for the client, setting up the trust and putting procedures in place to administer the program.

How It Benefits the Client:

- Public works contractors often find themselves obligated for substantial payroll taxes when they "bonus" employees with prevailing wage fringe dollars. Contractors can enjoy a competitive advantage because they are able to lower job costs by removing fringe dollars from payroll and into fringe benefits that are well received by employees.
- It is fairly easy to demonstrate that prevailing wage contractors in most states are unnecessarily spending thousands of dollars when they put the fringe portion of the prevailing wage on the paycheck, rather than into meaningful employee benefits.

Estate Planning

What It Is:

- Highly technical process that plans for the client's death and can involve tax planning, multiple generation planner, charitable giving, formation of family partnerships, documentation of the client's wishes, execution of legal documents and implementation of financial products, among other strategies.

How It Benefits the Client:

- We coordinate all of the professionals needed to complete the plan.
- Allows the client to give what he wants, to whom he wants and when he wants, in the most cost-efficient manner.
- Without a well-devised estate plan in place, the client's assets can dwindle significantly as a result of taxes and other costs.
- Also ensures that the client's assets will be managed competently in the event of disability.

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Federal Acquisition Regulations (FARs) Audits - Contract Compliance

What It Is:

- Federal law requires that contracts for engineering services for state highway agencies be performed and audited in compliance with cost principles contained in the Federal Acquisition Regulations (FARs) The engagements are performed to ensure that consultant contract pricing is based on actual costs incurred in compliance with the Federal Acquisition Regulations as well as specific contract provisions.

How It Benefits the Client:

- Unexpected governmental audit adjustments can eliminate planned profits and often create financial hardships. By reviewing your overhead rate calculations in advance and ensuring that the rates are in compliance with FAR, surprise adjustments can be minimized.
- Helps them determine what they can and can not include in determining their allowable FAR overhead, project costing, invoicing practices, explain governmental audit rules and help clients prepare for a pre- or post-project audit! Identifies ways to improve their profit margins on contracts and maximize their return by ensuring they are receiving all allowable costs under the FAR.

Job Cost Efficiency and profitability Analysis

What It Is:

- Considers all factors relevant to supporting specific products/services compared to the profits generated from each to determine your return on investment - Involves much more than traditional analysis that relies on gross sales or gross profits only.
- Drills down to analyze transaction frequency and average value of same in terms of sales and gross profits, average value of inventory carried and total return on investment.

How It Benefits the Client:

- Provides valuable information about the profitability of their products/services for management decision making.
- Aids in decisions on pricing.
- Assists management in determining how to allocate limited resources such as marketing dollars and sales efforts. Looks at their products/services from a strategic perspective, eliminating unprofitable products and services and focusing on the profitable ones will help increase their profits, cash flow and return on investment.

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Joint Venture Consulting and Accounting

What It Is:

- Construction joint ventures with other parties to meet common goals such as risk sharing, pooling of resources or to obtain financing or bonding.
- Can be temporary or permanent.

How It Benefits the Client:

- Enables them to achieve results beyond solely what its resources can provide. It may be a certain type or size of project or a contract in a new geographic area.
- Helps to select the legal form of these arrangements as well as to plan, coordinate and track the projects to the participants' satisfaction.

Management Information Systems Consulting

What It Is:

- Evaluation of the client's computerized information systems, including accounting, human resources, billing, time tracking and any industry-specific software.

How It Benefits the Client:

- Asks, "Does the client have the right software for the job?"
- Determines if the software for the various functions is efficient and if it minimizes duplication of work.
- Looks at whether or not the business has outgrown any existing system and if so, whether a replacement would ensure better operating efficiencies and better handle the needs of the business. Often business needs and processes have changed since the original software was purchased and implemented. Many times, these problems can be addressed by installing the latest versions of the software and/or changing some internal processes without having to purchase new software.

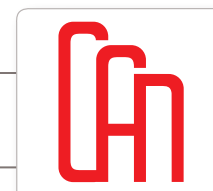
Maximizing of Bonding and Credit Capabilities

What It Is:

- Analysis of financing and bonding throughout the year and recommendations to maximize financing and bonding capacity.
- Considers the financial statement impact of all transactions and communicate the associated risk.

How It Benefits the Client:

- Regular contact with the client's bonding agent and surety will ensure that they are not presented with any surprises and that open communication is maintained.
- Recommendations will include means to maximize bonding capacity and preserve cash through performance of (or assistance with) rigorous tax planning.



Overhead Analysis - Corporate Overhead Rate Allocation Models Dual v. Single Rate and Project Overhead Allocation

What It Is:

- Identifying those expenses that should be included in overhead, determining an appropriate allocation method (labor hours, labor dollars, job costs, etc.), developing an overall overhead rate to apply to jobs as they progress.

How It Benefits the Client:

- Compares their overhead costs to industry norms and benchmarks to identify those costs that should be monitored to assist in improving profitability.

Performance-Based Incentive Program Development

What It Is:

- Developing an understanding of the current compensation parameters, obtaining an overview of current events that have an impact on the structure of the owners' and employees' compensation reviewing and assessing the existing compensation system, gaining an understanding of division of responsibilities among owners/employees, defining the objectives and goals of establishing a new compensation system, obtaining documentation of job responsibilities and discussing and establishing incentives.
- Structuring a performance-based incentive plan to meet the needs of the owners and business.
- Assisting with the development of critical success factors (CSFs) and key performance indicators (KPIs) by job classification and providing tracking templates that include these measurements as well as a scorecard mechanism to track performance.
- Assisting the company's management with determining the appropriate amount of the total profits to be allocated to the plan and assist with the development of an allocation template that will be used to perform this calculation.

How It Benefits the Client:

- Provides a process by which to reward those who work hard, establishes incentives and incorporates a mechanism to ensure implementation and monitoring.
- Can also prevent disputes among owners regarding individual compensation and assists in attracting and retaining good employees by having a formal plan in place.
- Helps management understand the value of ownership and help define compensation and ROI to shareholders.

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Project Manager Training

Project Management Impact on Financial Reporting

What It Is:

- One-day training class for project managers to teach them how effective project management can make a difference on the bottom line of a project.
- Covers the following and much more:
 - Where income is effected and cash is trapped - underbillings, unapproved change orders, unpriced change orders, slow collections of accounts receivable, and conservative estimating or lack of revision to estimated costs (project gain) or How to manage change orders and price them to include estimate of costs for general conditions
 - How untimely, inaccurate financial statements impact management decisions, reaction time, impact bonding capacity and ability to get projects.
 - How to be more proactive on contract billings and assertive on accounts receivable collections.

How It Benefits the Client:

- By having a better prepared project management team that will put what they learn to work and productivity and efficiency on projects.

Retirement Planning

What It Is:

- Design, review or implementation of qualified plans, such as profit sharing/401(k) plans, 403(b) plans, Keoghs, IRAs (rollovers) and 412(i) plans, for a client.

How It Benefits the Client:

- Helps to ensure that the business owner is benefiting from tax-advantageous opportunities and, at the same time, attracting and retaining good employees.
- Also assesses the cost efficiency of existing plans and suggests improvements.

Software Sales and Consulting (Construction-Specific)

What It Is:

- Assisting with the software selection process by stepping into the role of project coordinator.
- Our depth of business and accounting knowledge combined with our hardware and software expertise allow us to give clients the solutions they need. We are objective in making recommendations that best suit a client's unique needs.
- Providing installation, data conversion, training and implementation and ongoing support services once the selection has been made

How It Benefits the Client:

- Can help businesses work smarter communicate more efficiently and compete more successfully.
- Good training and support ensures they get the most out of their technology investment.



Strategic Planning

What It Is:

- Formulation of an internal plan that provides clients with the structure necessary to address the changing business environment.
- Brings us into many non-accounting aspects of a business, including team training and marketing positioning.
- Focuses on putting clearly defined goals and objectives in place and considers strengths, weaknesses, opportunities and threats, including marketing, forces in the marketplace, competition, management structure, mergers, acquisitions alliances, joint ventures and numerous others items.
- Helps clients discover the unexploited potential that lie within a business.

How It Benefits the Client:

- Enables businesses to deal effectively and efficiently with future issues and challenges and to increase the chances of their continued viability through goal setting and consideration of economic and management issues.
- Helps them make their businesses even more profitable and therefore more valuable.

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