

Profit Fade

*Reduce the Risk
& Increase Profit Margins*

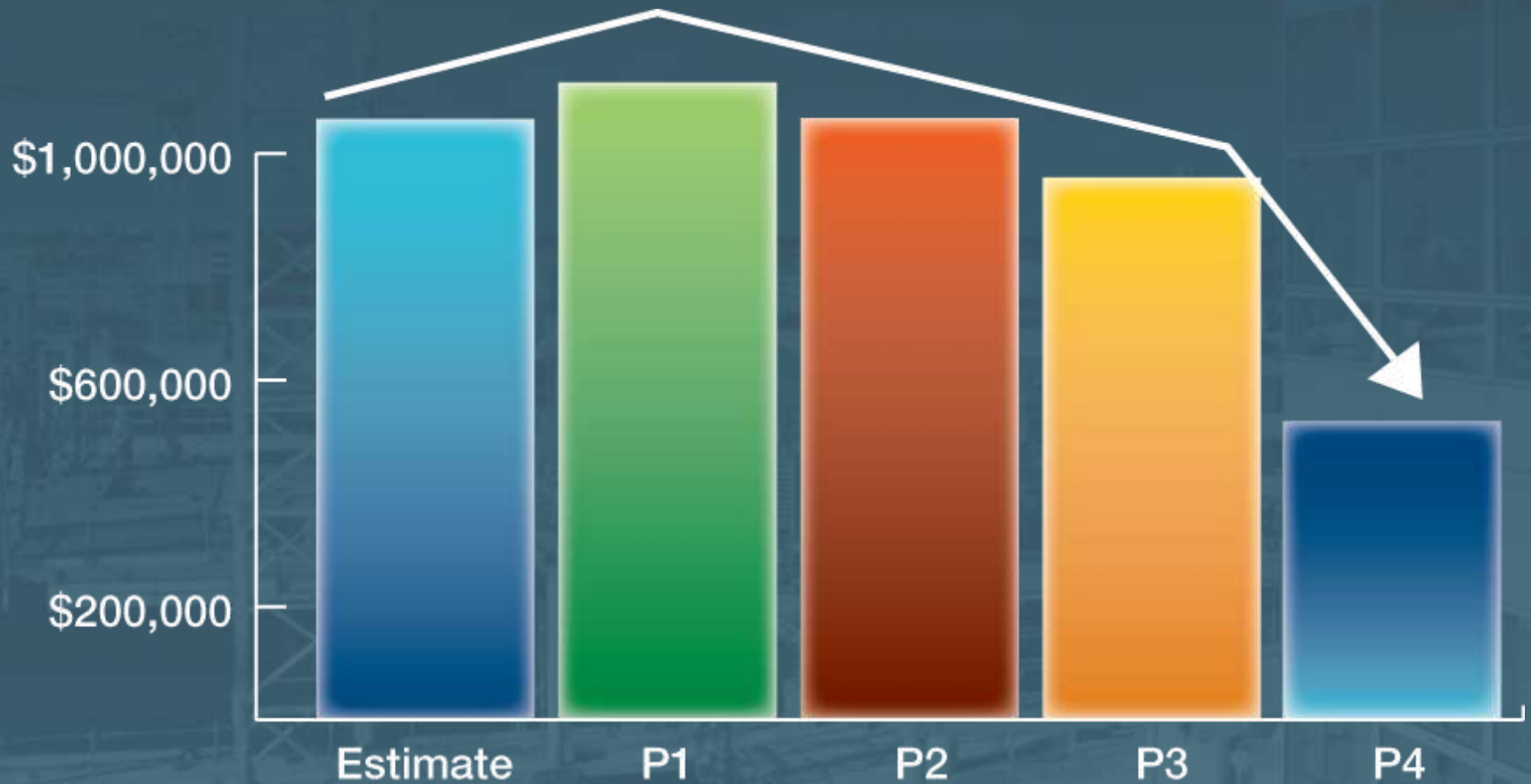
Sponsored by:

VIEWPOINT

CONSTRUCTION SOFTWARE

CONSTRUCTION
BUSINESS OWNER

What is Profit Fade?



Signs and Symptoms of Profit Fade

Who It Affects

Why It Occurs

How to Measure, Predict and Manage

Panelists

Chuck Elyea

Market Development Manager
Viewpoint Construction Software
Charlotte, NC

Jeff Greenway, CPA

Partner
Elliott Davis, PLLC
Columbia, SC

David Jean, CPA, CCIFP

Principal
Albin Randall & Bennett, CPAs
Portland, Maine



Signs and Symptoms of Profit Fade



Late cycle costs



Liens & claims



Banks and sureties



Under billing



Equity Injection



Payables slow



Receivables slow



Work pressure



Backcharges

Who it affects



Banks



Employees



Sureties



Vendors



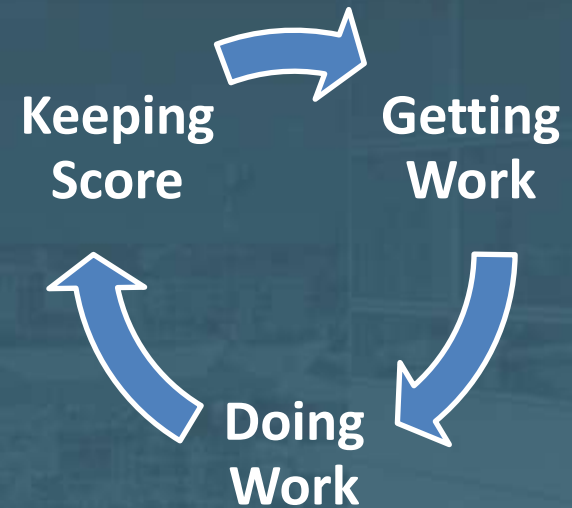
Contractors



Customers

Why it occurs

Poor Estimating
Substandard Contractors
Fraud & Theft
Cost Shifting
Project & Production Management
Change Order Management



Reporting Basics

Work In Progress Report

All Contracts

Through Month: 12/08

JC Status: Open

Contract	Description	Contract Amount	Est Cost @ Completion	Actual Cost	% Comp	Earned To Date	To Date Billings	Billings Over / Under	
1002-	St. Thomas Hospital	479,320.00	415,887.57	30,794.79	7.40%	35,491.70	35,394.40	0.00	-97.30
1005-	River Road Project	1,979,941.25	1,639,257.82	39,883.00	2.43%	48,171.80	35,900.62	0.00	-12,271.18
3000-	Haven Development System	335,206.00	245,613.84	23,188.68	9.44%	31,647.18	32,644.57	997.39	0.00

Work In Progress - Fiscal Year

Contracts: First - Last

Through Month: 12/08

JC Status: All

Through Year Ending 12/07

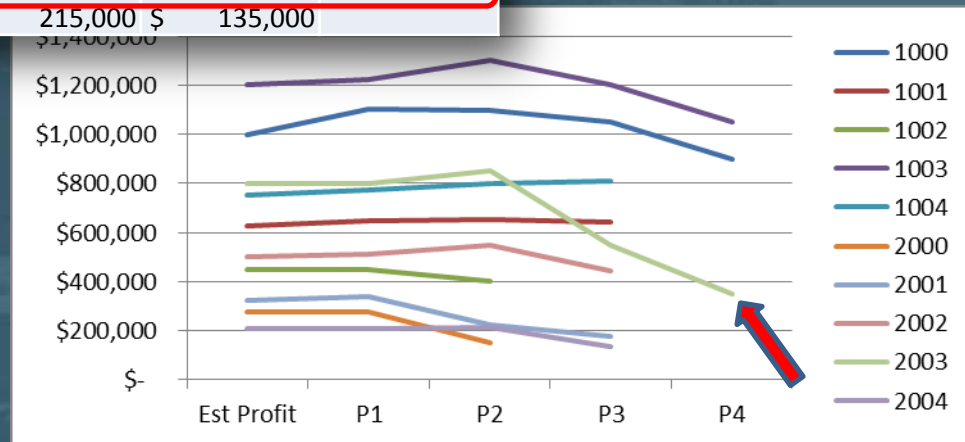
For Year Ending 12/08

Contracts	Contract Amount	Est Cost @ Completion	Gross Profit	Earned To Date	Actual Costs	Gross Profit	% Cmpl	For Year Ending 12/08			Current Year			
								Billings To Date	Billings in excess of Costs	Costs in excess of Billings	Earned	Actual Cost	Gross Profit	
1002-	St. Thomas Hospital	479,320.00	415,888	63,432	35,492	30,795	4,697	7.40%	35,394	0	-97	0	0	0
1005-	River Road Project	1,979,941.25	1,639,258	340,683	47,023	33,414	13,609	2.43%	35,901	0	-12,271	1,149	6,469	-5,320
3000-	Haven Development System	335,206.00	245,614	89,592	31,647	23,189	8,458	9.44%	32,645	997	0	0	0	0
Total for Department 01:		2,794,467	2,300,759	493,708	114,162	87,397	26,764		103,940	997	-12,368	1,149	6,469	-5,320
1000-	First Ave Elementary Schoo	2,584,532.91	2,538,976	45,557	411,559	376,387	35,172	22.00%	844,235	275,753	0	158,922	182,074	-25,152
1001-	Key Bank - Midland	1,761,190.00	1,622,253	138,937	92,379	85,092	7,288	5.25%	92,425	46	0	0	0	0
1004-	Towne Retail Center	1,062,690.00	987,318	75,372	116,342	108,091	8,252	10.95%	120,140	3,798	0	0	0	0
1009-	First National Bank	122,730.00	115,998	6,732	0	0	0	0.00%	0	0	0	0	0	0
1500-	Kenmore High School	2,567,500.00	2,489,497	78,003	0	0	0	0.10%	0	0	-2,506	2,506	2,430	76
1600-	Bothell High school	2,567,500.00	2,489,497	78,003	0	0	0	0.00%	0	0	0	0	0	0
2000-	Lake Village Office Complex	395,550.00	302,468	93,082	54,296	41,518	12,777	13.73%	54,793	487	0	0	0	0
Total for Department 0101:		11,061,693	10,546,007	515,686	674,577	611,088	63,489		1,111,583	280,084	-2,506	159,428	184,504	-25,076

How to measure

- WIP year over year trend – forecasted gross profit
- Spreadsheet or ERP system?

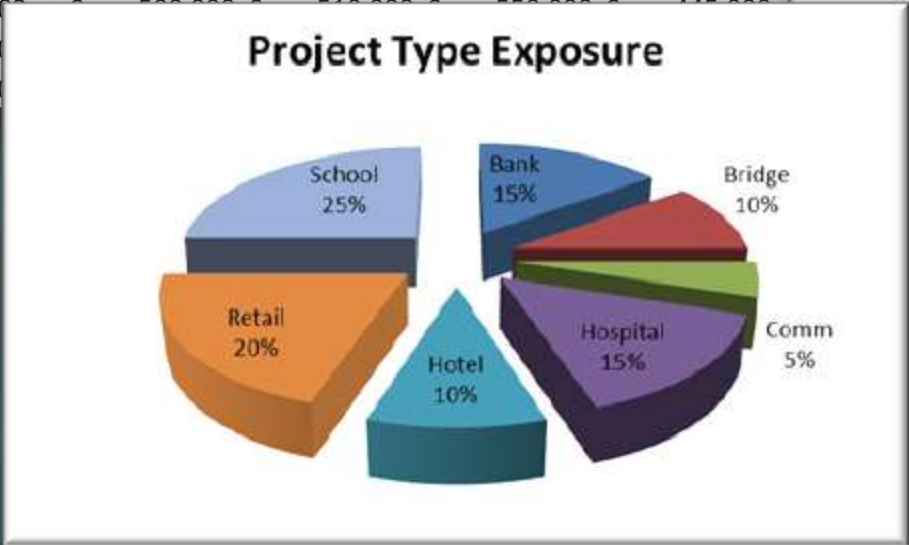
Contract	Est Profit	P1	P2	P3	P4
1000	\$ 1,000,000	\$ 1,100,000	\$ 1,095,000	\$ 1,050,000	\$ 900,000
1001	\$ 625,000	\$ 650,000	\$ 655,000	\$ 640,000	
1002	\$ 450,000	\$ 450,000	\$ 400,000		
1003	\$ 1,200,000	\$ 1,225,000	\$ 1,300,000	\$ 1,200,000	\$ 1,050,000
1004	\$ 750,000	\$ 775,000	\$ 800,000	\$ 810,000	
2000	\$ 275,000	\$ 275,000	\$ 150,000		
2001	\$ 325,000	\$ 340,000	\$ 225,000	\$ 175,000	
2002	\$ 500,000	\$ 510,000	\$ 550,000	\$ 445,000	
2003	\$ 800,000	\$ 800,000	\$ 850,000	\$ 550,000	\$ 350,000
2004	\$ 210,000	\$ 210,000	\$ 215,000	\$ 135,000	



How to measure

- WIP year over year trend – forecasted gross profit
- Spreadsheet or ERP system?

Contract	Est Profit	P1	P2	P3	P4
1000	\$ 1,000,000	\$ 1,100,000	\$ 1,095,000	\$ 1,050,000	\$ 900,000
1001	\$ 625,000	\$ 650,000	\$ 655,000	\$ 640,000	
1002	\$ 450,000	\$ 450,000	\$ 400,000		
1003	\$ 1,200,000	\$ 1,225,000	\$ 1,300,000	\$ 1,200,000	
1004	\$ 750,000	\$ 775,000	\$ 800,000	\$ 810,000	
2000	\$ 275,000	\$ 275,000	\$ 150,000		
2001	\$ 325,000	\$ 340,000	\$ 225,000	\$ 175,000	
2002	\$ 500,000	\$ 510,000	\$ 550,000	\$ 475,000	
2003	\$ 600,000	\$ 610,000	\$ 650,000	\$ 575,000	
2004	\$ 700,000	\$ 710,000	\$ 750,000	\$ 675,000	

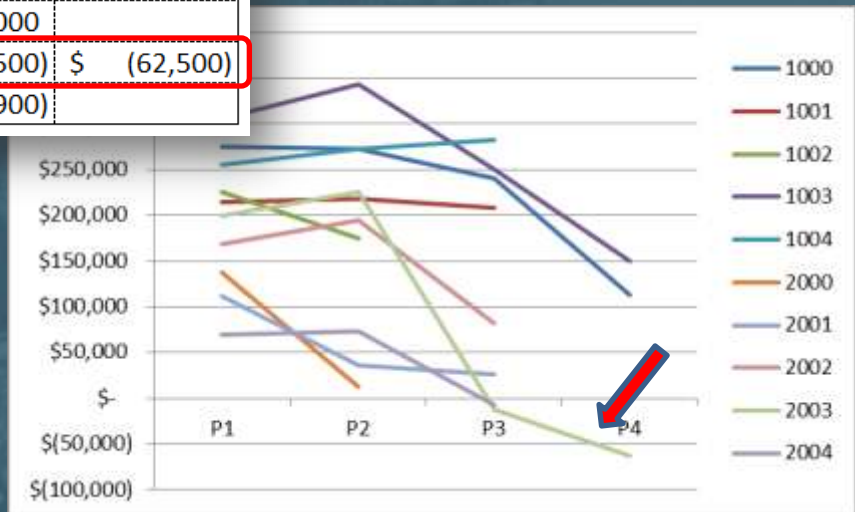


How to measure

Financial statement impact illustration

Profit claimed per period assuming level % complete:

Contract	Est Profit	P1	P2	P3	P4
1000	\$ 1,000,000	\$ 275,000	\$ 272,500	\$ 240,000	\$ 112,500
1001	\$ 625,000	\$ 214,500	\$ 217,800	\$ 207,700	
1002	\$ 450,000	\$ 225,000	\$ 175,000		
1003	\$ 1,200,000	\$ 306,250	\$ 343,750	\$ 250,000	\$ 150,000
1004	\$ 750,000	\$ 255,750	\$ 272,250	\$ 282,000	
2000	\$ 275,000	\$ 137,500	\$ 12,500		
2001	\$ 325,000	\$ 112,200	\$ 36,300	\$ 26,500	
2002	\$ 500,000	\$ 168,300	\$ 194,700	\$ 82,000	
2003	\$ 800,000	\$ 200,000	\$ 225,000	\$ (12,500)	\$ (62,500)
2004	\$ 210,000	\$ 69,300	\$ 72,600	\$ (6,900)	



How to measure

Don't over-burden a job...

FIXED | **VARIABLE**

The operational details...

- What are *some* of the ways we can manage better
- Keep those PMs out of my accounting!!!
- Communicate, communicate, communicate...
- A different perspective on change orders
- Sandbaggers and forecasting
- Types of work?
- Reporting basics

Multiple Spreadsheets



How to manage

Project Management & Accounting Systems Integration

- RFIs
- Submittals

- Pending COs
- Approved COs

- Purchase Orders
- Subcontracts

- Job Progress
- Forecasting



NO
posting
until
I say
so!

- Accounting

- Job Cost

- WIP

- Financials

Better Integration



Work in Progress Report	
Item	Value
...	...

Better Decisions

Senior
Management



Category	Value
...	...

Better Reporting

Operations



Item	Value
...	...

Better Visibility

Job
Level



Better Integration

CREDIBILITY!!!

Work in Progress Report					
No. Columns	Actual	Budget	Variance	Status	Date
1	1000	1000	0	Complete	10/10/10
2	2000	2000	0	Complete	10/10/10
3	3000	3000	0	Complete	10/10/10
4	4000	4000	0	Complete	10/10/10
5	5000	5000	0	Complete	10/10/10
6	6000	6000	0	Complete	10/10/10
7	7000	7000	0	Complete	10/10/10
8	8000	8000	0	Complete	10/10/10
9	9000	9000	0	Complete	10/10/10
10	10000	10000	0	Complete	10/10/10

Better Decisions

Senior
Management



Better Reporting

Operations



Better Visibility

Job
Level



How to manage

What operational changes should be made

Improve communications

Integrated central “filing cabinet” of all project documentation.

1 PM Document Tracking for Viewpoint Construction

File Edit Records View Options Tools Windows Help

Project: 1000- First Ave Elementary School

Navigation icons: Home, Back, Forward, Refresh, Print, Copy, Paste, Undo, Redo, Find, etc.

Submit	Submitt	Rev	Description	Status	Sub Firm Name	Phase Description	Date Reqd	Date Reqd	To Arch	Due back	Revd	Date Revd	Activ
CERT	1	0	Structural Steel Certific	Approved	650 Southeast Steel, Inc.	Structural Steel	10/1/07	10/5/07	10/6/07	10/31/07	10/30/07	11/2/07	12
MFG	1	0	Exterior Wall Insulation	Initiated	475 Broadway Ceiling Co	Insulation Building	10/1/07	10/15/07	10/16/07	11/2/07			
SPECS	2	0	Electrical Transformer	For Approval	300 Springfield Electric C	Electrical Division	10/1/07	10/5/07	10/6/07	11/15/07			
SHOP	1	0	Re-Bar	Approved	450 West Coast Rebar	Re-bar Concrete (f.o.b.)	10/1/07	10/1/07	10/2/07	10/30/07	10/25/07	10/26/07	1
	2	0	Structural Steel Shop dr	Approved	650 Southeast Steel, Inc.	Structural Steel	10/1/07	10/2/07	10/3/07	10/31/07	10/30/07	11/2/07	12
		1	Structural Steel Shop dr	Returned for	650 Southeast Steel, Inc.	Structural Steel	11/20/07						
	3	0	Hollow Metal Doors/Fra	Initiated	200 Thompson Hardware	Metal Doors & Frames	10/5/07	10/12/07	10/12/07	11/15/07			
	4	0	Structural Steel Drawin	Initiated	650 Southeast Steel, Inc.	Structural Steel	10/1/07	10/10/07	10/11/07	12/1/07			
	5	0	Roofing	Approved	600 Sanders Roofing Co	Roofing Builtup Bitumi	10/5/07	10/4/07	10/5/07	10/30/07	10/31/07	11/1/07	
SONIC	3	0	Sonic Testing Results	Initiated	650 Southeast Steel, Inc.	Structural Steel	12/1/07						

Buttons: Setup Form, Document History, Issue History

Enter a valid project | Record 1 of 29 | Grid | Co#: 1

How to manage

What operational changes should be made

Improve communications



To: Project Manager

Your submittals are past due!

1 PM Document Tracking for Viewpoint Construction

File Edit Records View Options Tools Windows Help

Project: 1000- First Ave Elementary School

Submitt	Submitt	Rev	Description	Status Descri	Sub Firm Name	Phase Description	Date Reqd	Date Recd	To Arch/	Due Back	Recd Bac	Date Retd Activ
CERT	1	0	Structural Steel Certificate	Approved	650 Southeast Steel, Inc.	Structural Steel	10/1/07	10/5/07	10/6/07	10/01/07	10/06/07	11/2/07
MFG	1	0	Exterior Wall Insulation	Initiated	475 Broadway Ceiling Co	Insulation Building	10/1/07	10/15/07	10/16/07	11/2/07		
SPECS	2	0	Electrical Transformer	For Approval	300 Springfield Electric C	Electrical Division	10/1/07	10/5/07	10/6/07	11/15/07		
SHOP	1	0	Re-Bar	Approved	450 West Coast Rebar	Re-bar Concrete (r.o.b.)	10/1/07	10/1/07	10/2/07	10/30/07	10/25/07	10/26/07
	2	0	Structural Steel Shop dr	Approved	650 Southeast Steel, Inc.	Structural Steel	10/1/07	10/2/07	10/3/07	10/31/07	10/30/07	11/2/07
		1	Structural Steel Shop dr	Returned for	650 Southeast Steel, Inc.	Structural Steel	11/20/07					
	3	0	Hollow Metal Doors/Fra	Initiated	200 Thompson Hardware	Metal Doors & Frames	10/5/07	10/12/07	10/12/07	11/15/07		
	4	0	Structural Steel Drawin	Initiated	650 Southeast Steel, Inc.	Structural Steel	10/1/07	10/10/07	10/11/07	12/1/07		
	5	0	Roofing	Approved	600 Sanders Roofing Co	Roofing Builtup Bitumi	10/5/07	10/4/07	10/5/07	10/30/07	10/31/07	11/1/07
SONIC	3	0	Sonic Testing Results	Initiated	650 Southeast Steel, Inc.	Structural Steel	12/1/07					

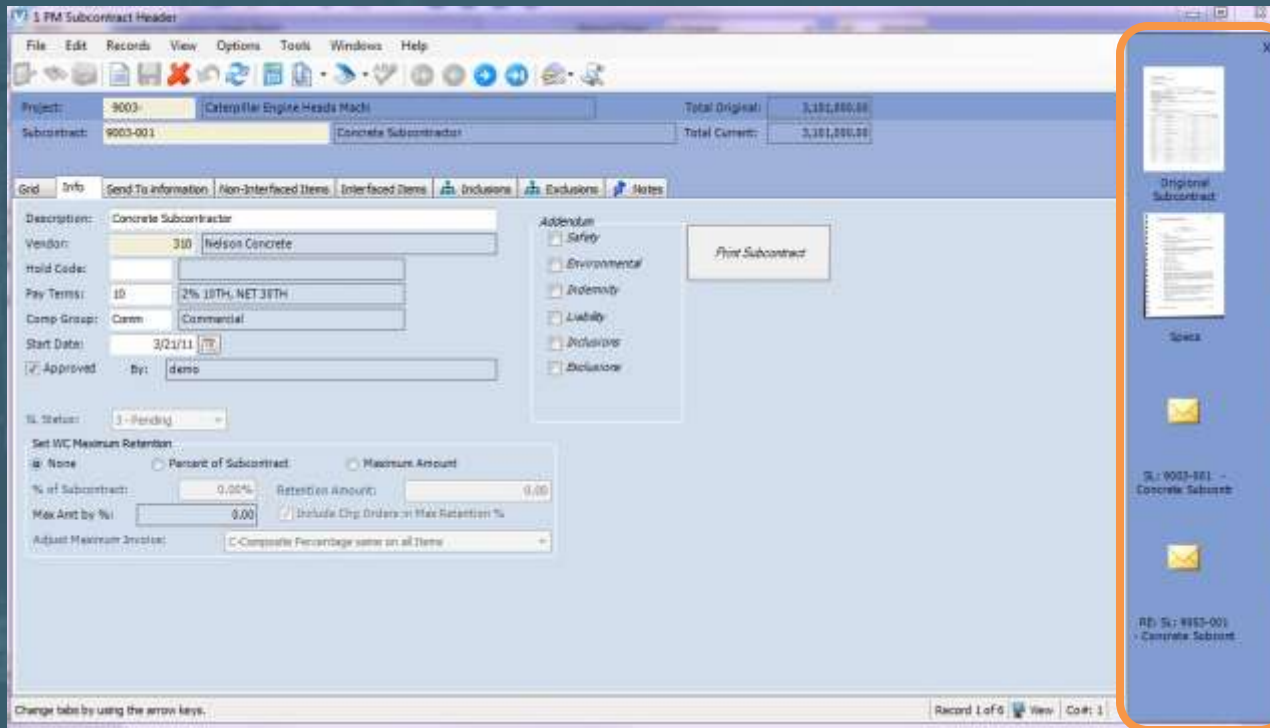
Setup Form Document History Issue History

Enter a valid project Record 1 of 29 Grid Co#: 1

How to manage

What operational changes should be made

Improve communications



Document and email attachments follow records throughout project management AND accounting. Metatags in email responses automatically attach back to the originating document.

How to manage

What operational changes should be made

Document Control

Searchable document database of all attachments, including emails, pictures, POs, subcontracts, invoices, etc.

1 DM Attachment Index Search for Viewpoint Construction

File Edit Options Tools Windows Help

AP/AR/SI_PO/SI/RIQ JC/PW PM Documents PR/HR EMM/IS/IN/Mes... Custom Advanced

Job Cost/Project Management

JCCo: 1 Issue: Approved CO:

Job/Project: 1000- Firm Number: ACO Item:

Phase Group: Firm Type: PCO Type:

Phase: Firm Contact: Pending CO:

CT: Source Firm: PCO Item:

Contract: Source Contact:

Contract Item:

Include: Attached Stand Alone Deleted

Keyword: Search Clear Grid Options Hide

FormName	AttachmentID	DocName	Description	AddDate	OrigFilename	IJob	PMRFI	CurrentState
FormName: APEntry								
FormName: APUnappInv								
FormName: JCPProjection								
	394	Database		1/27/2009	Project Photo Ice-s	1000-		Attached
	393	Database	Weather Delays/Is	3/18/2009	Project Photo Ice-s	1000-		Attached
	398	Database		4/9/2009	Project Photo Ice-s	1000-		Attached
	395	Database		4/9/2009	Project Photo Ice-s	1000-		Attached
FormName: PMACOS								
FormName: FMDrawingLogs								
FormName: FMPCCOS								
FormName: FMPGHeader								
FormName: FMPProjectIssues								

Show Attachment Show Indexes Document Routing Manage Selected Attachments

Ca#: 1



How to predict

What operational changes should be made

Accurate forecasting and production management

The screenshot displays the 'L/C Cost Projections for Viewpoint Construction Software' interface. The top section shows a summary table with columns for Phase, Description, Cost Type, Curr Est + 3rd CO's, Actual Cost, Projected Cost P, Over / Under, Current Est'd Units, Actual Units, Projected Units, and Origin. The bottom section shows a detailed grid for the selected item '031900-1- Form & Strip Walls' with columns for Units, Hours, Costs, U/C, and U/HR, along with various cost and unit metrics.

Phase	Description	Cost Type	Curr Est + 3rd CO's	Actual Cost	Projected Cost P	Over / Under	Current Est'd Units	Actual Units	Projected Units	Origin
013100	Project Superintendent	LABOR	72,375.00	7,378.00	89,433.00	17,028.00	15.000	1.000	18.000	2
015136	Temporary Water	LABOR	442.50	175.50	438.75	-3.75	15.000	6.000	15.000	
015213	Job Offices	LABOR	73.28	28.60	73.28	0.00	0.000	0.200	0.200	
024100	Site Excavation	LABOR	8.00	728.00	720.00	8.00	0.000	0.000	0.000	
031000-1	Form & Strip Continuo	LABOR	1,725.57	1,602.50	3,205.00	1,479.43	1,479.500	714.500	1,428.000	
031000-1-5	Foundation Changes	LABOR	8.00	8.00	8.00	0.00	0.000	0.000	0.000	
031000-2	Five Grade Continuous	LABOR	552.10	561.00	561.00	-9.10	1,629.000	1,629.000	1,629.000	
031500	Wall Form Material	LABOR	8.00	144.00	144.00	144.00	0.000	0.000	0.000	
031900-1	Form & Strip Walls	LABOR	21,498.88	1,746.50	21,498.88	0.00	16,578.000	487.340	16,578.000	
032200-1	Wire Mesh Slabs	LABOR	2,669.87	343.75	3,437.50	767.63	67,450.000	4,765.000	67,450.000	
033000	Pour Footings	LABOR	333.52	357.26	357.26	23.74	46.000	0.000	46.000	
033000-1	Pour Walls	LABOR	1,598.14	768.00	918.00	-590.14	205.000	0.000	205.000	
033000-2	Four S.O.G.	LABOR	4,366.70	108.00	4,366.70	0.00	752.000	-22.560	752.000	
033000-3	Pour Fan Slabs	LABOR	3,795.03	8.00	3,795.03	0.00	658.000	0.000	658.000	
033100	S.O.G. Screeds & Misc	LABOR	11,587.71	1,275.00	11,587.71	0.00	61,560.000	922.500	61,560.000	
033100-1	S.o.g. Edge Forms	LABOR	642.21	108.00	548.00	-102.21	1,476.000	295.200	1,476.000	
061100-1	2 X 6 Wall Framing	LABOR	137,219.12	17,286.01	157,394.72	20,175.60				

Units	Hours	Costs	U/C	U/HR	Actual + Cont'd	% Complete	Over / Under	Remaining	Final	Previous	Forecast
16,578.000	1,357.00	21,498.88	1.29683	12.21665	487.340	3.000000	0.000	35,090.660	16,578.000	16,578.000	16,578.000
					185.80	7.737057	0.00	1,252.00	1,207.00	1,357.00	1,357.00
					1,746.50	7.289503	2,501.12	22,250.30	24,000.00	21,498.88	21,498.88
					3,51771	7.289503	0.00000	1,383.00	1,447.70	1,29683	1,29683
					4,73657	7.737057	0.00000	12,84398	12,23665	12,21665	12,21665

Forecasts stored by accounting period for accurate trend reporting.

Ability to input forecasts numerous ways and back calculate other data fields. Enter in grid or detail modes.

What
Accura

1 PM Status Codes for Viewpoint Construction

File Edit Records View Options Tools Windows Help

Status Code: SAPP Submitted for Approval

Grid	Info	Notes	
Status Code	Description	Projections Option	Type of Code
APP	Approved	Display & Calculate in Projections	F-Final
C	Completed	Display in Projections	F-Final
CANCEL	Cancelled	(none)	F-Final
CR	Current Revision	(none)	I-Intermediat
Denied	Denied	(none)	F-Final
FINAL	Final	Display in Projections	F-Final
FORAPR	For Approval	Display in Projections	I-Intermediat
FORSIG	For Your Signature	Display & Calculate in Projections	I-Intermediat
FYCOM	For Your Comments/Response	Display in Projections	I-Intermediat
FYI	For Your Information	Display in Projections	I-Intermediat
FYU	For Your Use	Display in Projections	I-Intermediat
I	Initiated	Display in Projections	B-Beginning
N/A	Not Applicable	(none)	I-Intermediat
O	Open	(none)	I-Intermediat
OR	Original -no revisions	Display in Projections	I-Intermediat
P	Pending Change	Display in Projections	I-Intermediat
PR	Previous Revision	(none)	I-Intermediat
Q	Sent for Quotations	Display in Projections	I-Intermediat
RCORRT	Returned for Corrections	Display in Projections	I-Intermediat
REJECT	Rejected	(none)	F-Final
REQ	Required	Display & Calculate in Projections	I-Intermediat
RESUB	Resubmit	Display in Projections	I-Intermediat
SAPP	Submitted for Approval	Display in Projections	I-Intermediat
SS	Submitted for Signature	Display in Projections	I-Intermediat
*			

Display or calculate change orders with this status in JC Projections? Record 23 of 24 Grid Co#: 1

Track different types of pending change orders and include in forecast.

forecasts stored by
counting period for
cur
por
ity
recasts numerous
ays and back
alculate other data
lds. Enter in grid
detail modes.

How to manage

What operational changes should be made

The screenshot shows the '1 JC Override Projections for Viewpoint Construction' window. The interface includes a menu bar (File, Edit, Records, View, Options, Tools, Windows, Help), a toolbar with various icons, and a 'Through Month' dropdown set to '09/10'. A 'Print WIP Report' button is visible. Below the toolbar, there are tabs for 'Cost' and 'Revenue', and a 'Project Manager/' dropdown. The main area contains a table with columns: Job, Job Desc, Original Est Cost, Current Est Cost, Future CO Amt, Current Detail P, Adjustment, New Override Pr, and Notes. The table is grouped by Project Manager. A red box highlights the following rows:

Job	Job Desc	Original Est Cost	Current Est Cost	Future CO Amt	Current Detail P	Adjustment	New Override Pr	Notes
1000-	First Ave Elementary Schoo	2,489,496.85	2,505,004.76	31,887.48	2,538,976.26	61,023.74	2,600,000.00	
1006-	Sea Harbor Restaurant	130,930.25	130,930.25	0.00	126,080.25	3,919.75	130,000.00	
1500-	Kenmore High School	2,489,496.85	2,489,496.85	0.00	0.00	2,500,000.00	2,500,000.00	
1600-	Bothell High school	2,489,496.85	2,489,496.85	32,387.48	0.00	2,500,000.00	2,500,000.00	
1700-	Ladue Middle School	1,695,273.00	1,695,273.00	0.00	0.00	0.00	0.00	
4700-	CP Service Orders	0.00	0.00	0.00	0.00	50,000.00	50,000.00	
9000-	Pepper Renovation Project	78,817.38	85,247.76	0.00	0.00	80,000.00	80,000.00	
34784-	GMAX	488,413.00	488,413.00	0.00	0.00	0.00	0.00	
1001-	Key Bank - Midland	1,622,316.67	1,622,316.67	0.00	1,626,274.43	73,725.57	1,700,000.00	Warning Major Sandbagger
1003-	Renton Hotel Plaza	1,854,960.00	1,854,960.00	0.00	1,851,472.00	73,528.00	1,925,000.00	Warning Major Sandbagger
1004-	Towne Retail Center	990,559.98	990,559.98	0.00	1,077,162.11	-77,162.11	1,000,000.00	Warning Major Sandbagger
1009-	First National Bank	115,998.00	115,998.00	0.00	115,998.00	2,002.00	118,000.00	Warning Major Sandbagger
1011-	Lexus Auto Dealership	72,900.00	72,900.00	0.00	72,900.00	7,100.00	80,000.00	Warning Major Sandbagger
		245,613.84	245,613.84	0.00	249,051.34	50,948.66	300,000.00	Warning Major Sandbagger

At the bottom of the window, there is a status bar with the text 'Enter the Adjustment to the Current Projection Detail.', 'Record 1 of 27', 'Grid', and 'Co #: 1'.

Summary

- The current economy
- Banks and sureties
- Communication and tools

Click here to download our profit fade [white paper](#):

Please visit our website to access the recording of the webinar.
www.constructionbusinessowner.com

CONSTRUCTION **BUSINESS OWNER**

Please visit www.hardhatconnect.com to view the answers to the questions asked during the Q&A session.

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