

## Bonding Readiness Overview: What Sureties Look for in Construction Financials

Bonding agents don't just assess financial strength. They assess predictability, discipline, and credibility. The way your numbers are prepared matters as much as the numbers themselves.

### RELIABLE FINANCIAL STATEMENTS

Frequent restatements or unexplained fluctuations raise concerns. Bonding companies expect:

- Consistent accounting methods
- Timely reporting
- Minimal post-close adjustments
- Clear explanations for year-over-year changes

### CLEAN, CONSISTENT WIP REPORTING

Sureties rely heavily on WIP schedules to evaluate:

- Job performance trends
- Billing discipline
- Exposure to losses
- Forecast reliability

Red flags may include:

- Persistent under-billing
- Aggressive revenue recognition
- Large swings in estimated costs
- Repeated profit fades

### STRONG CASH FLOW MANAGEMENT

Bonding capacity is closely tied to liquidity, and profit without cash is a warning sign. Sureties look for:

- Predictable cash inflows
- Controlled use of over-billings
- Manageable retainage exposure
- Alignment between reported profits & cash position

### CONSERVATIVE TREATMENT OF RISK AREAS

Overly optimistic assumptions can weaken trust, even if results ultimately materialize. Bonding agents closely examine how contractors handle:

- Change orders not yet approved
- Claims & disputed receivables
- Stored or uninstalled materials
- Related-party transactions

### MANAGEMENT OVERSIGHT & PROCESS DISCIPLINE

Well-managed processes often matter more than short-term results, so perhaps most importantly, sureties want evidence that leadership:

- Understands the numbers
- Reviews WIP regularly
- Responds to issues early
- Maintains strong internal controls

### PREPARING BEFORE THE BONDING CONVERSATION

A proactive review ahead of time helps avoid uncomfortable questions when it matters most. Bonding reviews go more smoothly when:

- Financials are prepared with consistency
- Job data is current & defensible
- Forecasts reflect reality, not hope
- Leadership can confidently explain trends

Bonding readiness isn't just for renewals or new opportunities; the strongest construction companies treat it as an ongoing discipline. This requires clear reporting, consistent processes, and leadership that understands the story behind the numbers. If questions arise as you review your financials or prepare for bonding conversations, involving a construction-focused advisors early can identify issues before they become obstacles. **We help contractors evaluate their readiness and strengthen the financial foundation that supports future growth. Reach out today to start a conversation.**