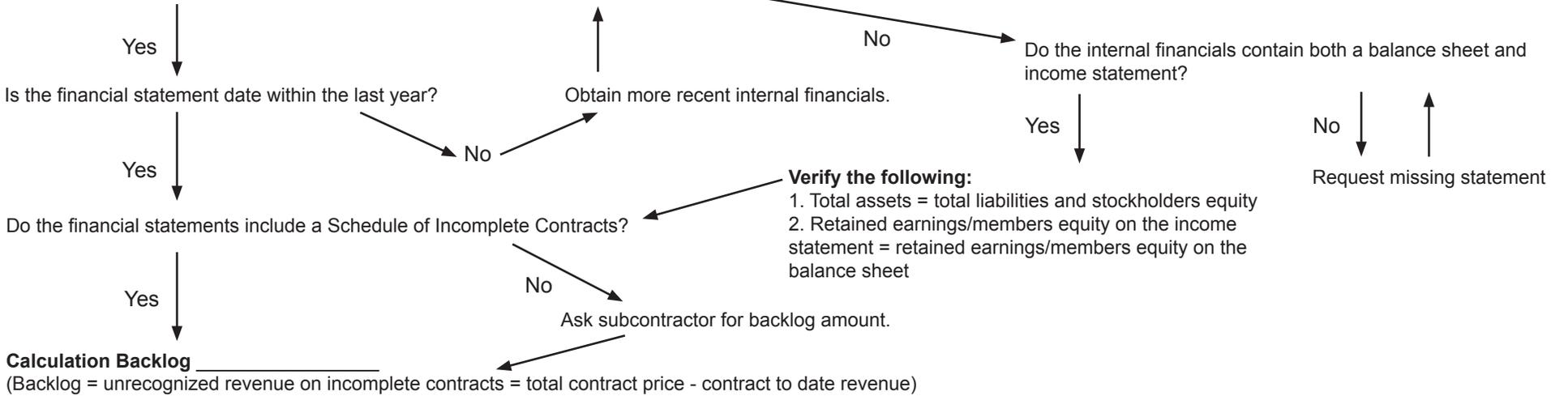


Subcontractor Financial Statement Evaluation Decision Tree

Step 1

Do the financial statements contain a CPA report (audit, review, or compilation)?



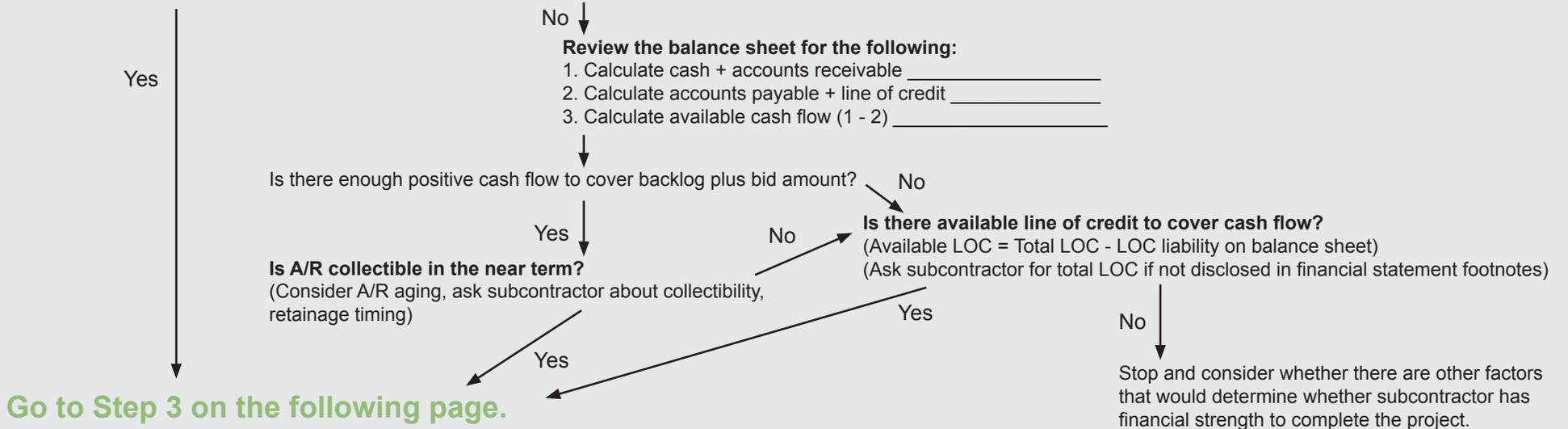
Step 2

Review the balance sheet for the following:

1. Total current assets should be greater than total current liabilities.
2. Calculate working capital (total current assets - total current liabilities) _____
3. Calculate minimum capacity (working capital x 10) _____

Is minimum capacity sufficient to cover backlog plus bid amount?

(Backlog = unrecognized revenue on incomplete contracts = total contract price - contract to date revenue)

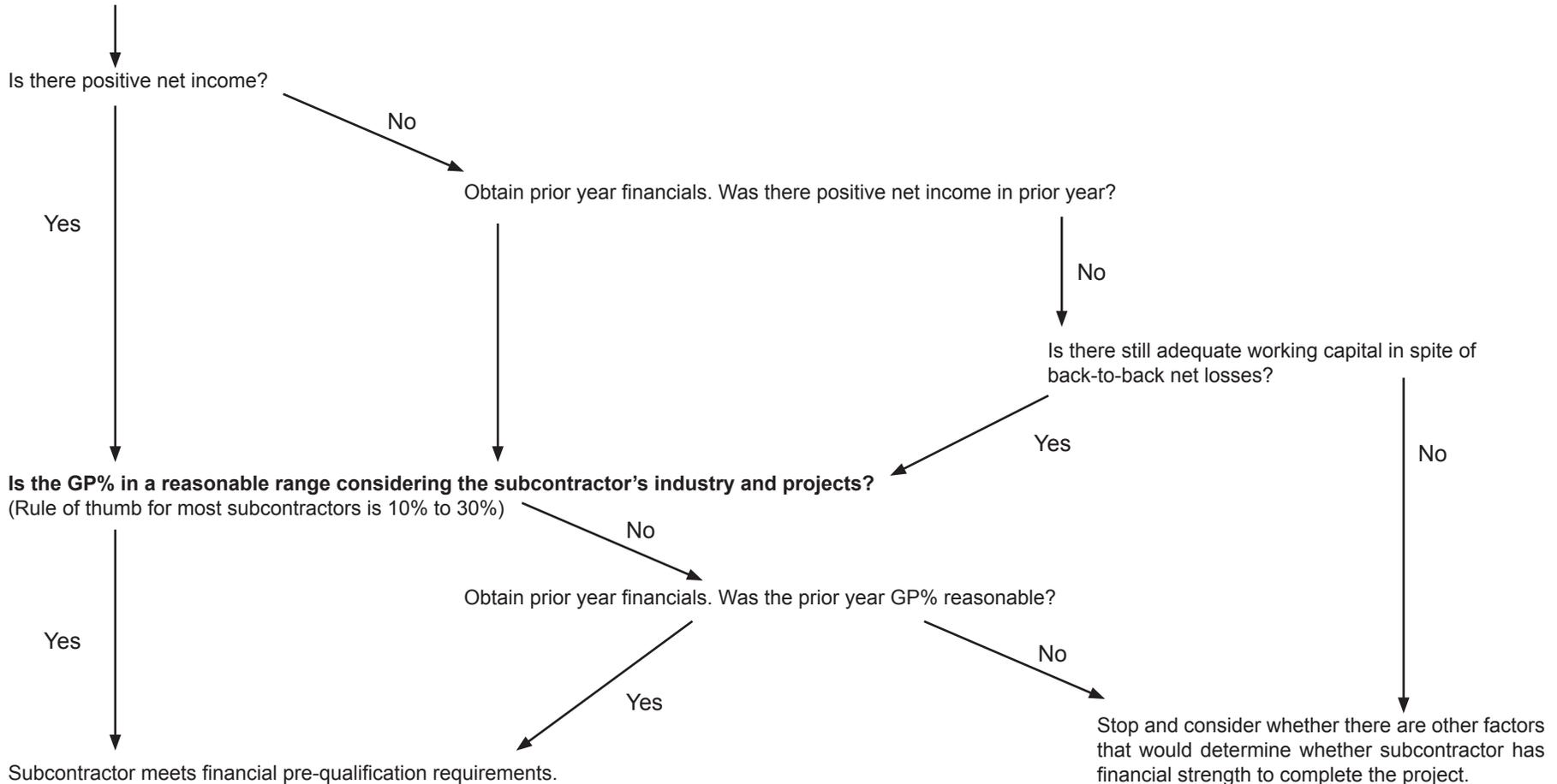


Subcontractor Financial Statement Evaluation Decision Tree

Step 3

Review the income statement for the following:

1. Net income _____
2. Gross profit percentage (GP% = Gross profit divided by contract revenues) _____%



Date: September 29, 2015

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