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Moss Adams Construction Group Newsletter

March 2009

Cash Is King

Cash management, very important during the best of times, is critical to the survival of construction firms in this economy. Today, we're all faced with a cash crunch one-two punch, the likes of which hasn't been seen since the Great Depression—namely, a poor economy coupled with dry wells at the bank. With a forecasted pullback in commercial development over the next year, firms that focus aggressively on cash-flow management will be first in line to realize the benefits when rebuilding begins. Moss Adams wants to make sure our construction-industry clients have the tools and understanding necessary to be among those standing at the head of that line. Below are a few basic cash-flow management procedures you can take today to ensure you're poised for the recovery.

Focus on Receivables

First and foremost in this economy is making sure you get paid for the work you do. Having tight credit policies on the front end of a transaction and ensuring prompt management of the receivable and retention at the back end can have dramatic impacts on your ability to collect payment. Consider your need to take deposits on projects and other creative ways to transition some of the cash-flow risk to the owner.

Prioritize Expenditures

While this sounds obvious, in practice it's often very difficult. When cash is tight, juggling payments between an exhaustive list of employee benefits, business taxes, suppliers, and business development costs can take all of your attention. In a normal economy, expenses should be managed like

investments, in which the focus is on long-term growth and profitability. Today, depending on your financial situation, emphasis might swing more to the immediate cash-flow impact of the expenditure when making a decision.

Liquidate Idle Assets

Though this isn't necessarily easy during a time when few are buying, converting unused assets into cash, even at a low price, can have multiple impacts on your bottom line and cash flow. First, and most obvious, you receive the cash flow from the sale. However, you also realize substantial benefits from trimming costs related to storing, insuring, and maintaining those assets.

We recognize that implementing the above ideas is much harder than talking about them. Realize you are not alone. Moss Adams has a team of professionals dedicated to serving construction-industry clients and helping them with these types of management and planning decisions. If you have any questions about this article, please contact your local Moss Adams office. We're here to help.

Meet Moss Adams!

Visit us May 18-19 at Booth 121 at CFMA's 2009 Annual Conference and Exhibition at Caesars Palace in Las Vegas. And attend our session, Business Succession Planning for Contractors (L5), presented by Glenn Wattum and Shannon Affholter of Moss Adams LLP.

Why Moss Adams?

Founded in 1913, Moss Adams LLP is one of the top accounting and business advisory firms in the nation, serving clients across industries and markets and around the world.

With more than 2,000 construction and real estate clients, we serve a variety of entity types, from large general contractors to specialty contractors and from real estate developers to property managers.

We provide the strategic business, financial planning, tax, and operational expertise you need to stay competitive. Understanding what you want to accomplish, from business and personal perspectives, enables us to help you integrate your core competencies and vision for the future with strategies to improve overall performance.

Companies like yours rely on Moss Adams for valuable, relevant guidance and dedicated service that makes a difference.

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