**Bonding and Financial Statements**

Bonding capacity is critical to a construction company, particularly those involved in commercial and government contracting, and obtaining and growing that capacity requires good financial statements. It is important for any for-profit business to have accurate financial statements so the owners can know how the company is doing. The bonding companies have underwriters who review financial statements and other documents to see if they are willing to take a risk and issue bonding for a construction company. They generally look at the owner’s personal credit score, experience, equipment and most importantly the company’s profit & loss, balance sheet and work in progress financial statements. The following is a discussion of the different levels of bonding and their related financial statement review requirements.

Bonding less than $250,000

Generally bonding less than $250,000 does not require financial statements, only a good credit score for all company owners and their spouses and some experience in construction.

Bonding from $250,000 to $500,000

Any single project bond in this range is going to require good credit scores and **self-generated financial statements**, usually entered by the owner of the company or his bookkeeper using computer accounting software like QuickBooks©. The only costs involved are the accounting software (about $300) and the time of the owner or bookkeeper.

Bonding from $500,000 to $750,000

Any single project bond in this range is going to require **CPA Compiled Financial Statements**, where a CPA reviews the self-generated financial statements provided by the owner and only certifies that certain accounting principles were followed in their preparation, but gives no assurance as to their accuracy. This normally costs from $1,000 to $7,000 in CPA fees for a small company.

Bonding from $750,000 to $2 million

Any single project bond in this range is going to require **CPA Reviewed Financial Statements**, where the CPA does thorough research into the accuracy of the statements and certifies them as reviewed. This generally costs from $3,000 to $10,000 in CPA fees, depending on the size of the firm.

Bonding over $2 million

Any single project bond over $2 million normally requires **CPA Audited Financial Statements**, where a CPA does extensive research into the accuracy of the statements and issues his or her highest level of assurance. This normally costs from $5,000 to $25,000 in CPA fees, depending on the size of the firm.

For assistance regarding financial statements, including help in finding a qualified bookkeeper, CPA and bonding agent, contact Luke Ortega Luper, SMBR Financial Consultant in Bonding at [luke.luper@austintexas.gov](mailto:luke.luper@austintexas.gov) or 512-974-7733.

Thank you for being a certified vendor with SMBR.