PEOPLE | IDEAS | SOLUTIONS

CPAs WHO KNOW CONSTRUCTION

Sample ASC 606

FINANCIAL STATEMENTS, SCHEDULES, AND DISCLOSURES FOR THE CONSTRUCTION INDUSTRY

Sponsored by: Foundation Software

Published: February, 2020

Overview

FASB has communicated that one of the purposes of the new revenue recognition standard, ASC 606, is to provide more useful information to users of the financial statements through new disclosure requirements. CICPAC has compiled this comprehensive document to provide examples of a significant number of the new disclosures required for non-public construction entities.

It is important for users of this document to understand that many of the disclosures will need to be modified to address the specific needs of the contractor, as well as, the judgment used in the recognition of revenue.

The purpose of this document is to provide the readers with examples of certain new disclosure requirements as part of the implementation of ASC 606. This document is not all inclusive of all disclosures required for your financial statements to be prepared in accordance with generally accepted accounting principles (GAAP).

If you have questions regarding the samples enclosed, please address them to Kathleen Baldwin (kbaldwin@cicpac.com or (850) 723.0372) and she will work with the committee members for assistance.

XYZ CONSTRUCTION CORP.
(An S Corporation)
BALANCE SHEETS

		December 31,	
	Assets	**2019**	**2018**
	Current assets:		
	Cash and cash equivalents	$ -	$ -
	Contract receivables, net accounts	-	-
(a)	Retainage receivable	-	-
(b) (d)	Contract assets	-	-
	Contract cost assets	-	-
(c)	Stored materials	-	-
	Prepaid expenses and other current assets	-	-
	Total current assets	-	-
	Property and equipment, net		
	Total Assets	**$ -**	**$ -**
	Liabilities and Stockholders' Equity		
	Current liabilities:		
	Current portion of long-term debt	$ -	$ -
	Accounts payable	-	-
	Accrued liabilities	-	-
(d)	Contract liabilities	-	-
	Total current liabilities	-	-
	Long-term debt	-	-
	Stockholders' equity:		
	Common stock, no par value; 200 shares authorized; 100 shares issued and outstanding	-	-
	Additional paid-in capital	-	-
	Retained earnings	-	-
	Total Liabilities and Stockholders' Equity	**$ -**	**$ -**

(a) Retainage can be presented separately, or included as a component of contract assets or accounts receivable, depending on circumstances. If presented separately, it is presumed that retainage receivable meets the criteria of a receivable (passage of time).
(b) OPTIONAL - Entity may use terms other than "Contract Assets." Must disclose components separately in notes.
(c) OPTIONAL - Stored materials can be presented separately from inventory if directly related to a specific contract and disclosed in the footnotes accordingly.
(d) OPTIONAL - If only component of contract asset and liability is the traditional underbilling or overbilling, entity may label the accounts as Cost in Excess of Billing or Billings in Excess of Cost.

XYZ CONSTRUCTION CORP.
(An S Corporation)
STATEMENTS OF INCOME AND RETAINED EARNINGS

	2019	2018
Contract revenues	$ -	$ -
Costs of contracts	-	-
Gross profit	-	-
General and administrative expenses	-	-
Income before other income (expense)	-	-
Other income (expense):		
Interest expense	-	-
Gain (loss) on disposal of property and equipment	-	-
Net income	-	-
Retained earnings, beginning of year	-	-
Distributions to stockholders	-	-
Retained earnings, end of year	$ -	$ -

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Standards *(Full Retrospective Method)*

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606), as modified by ASU 2015-14, Revenue from Contracts with Customers (Topic 606); Deferral of the Effective Date*

ASU 2014-09 is a comprehensive new revenue recognition standard that will supersede most existing revenue recognition guidance under GAAP. The standard's core principle is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*

ASU 2016-08 amends the principal versus agent guidance in ASU 2014-09. ASU 2016-08 requires an entity to determine whether it is a principal or an agent in a transaction in which another party is involved in providing goods or services to a customer by evaluating the nature of its promise to the customer. An entity is a principal, and therefore records revenue on a gross basis, if it controls the promised good or service before transferring it to the customer. An entity is an agent, and records as revenue the net amount it retains for its agency services, if its role is to arrange for another entity to provide the goods or services.

ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*

ASU 2016-10 amends the guidance in ASU 2014-09 to provide more detailed guidance, including additional implementation guidance and examples for the identification of performance of obligations and licenses of intellectual property.

The Company adopted these standards in January 2019, effective January 2019 using the full retrospective method. Under this method, all reporting periods presented in the financial statements are accounted for under Topic 606 subject to certain practical expedients. Application of these standards had a material effect on our reported consolidated financial position and results of operations. The effects of adopting these standards are discussed in Note XX.

Recent Accounting Standards *(Modified Retrospective Method)*

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." Topic 606 supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)" and requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted Topic 606 as of January 1, 2019. Additional standards adopted by FASB to amend certain guidance in ASU 2014-09 include ASU No. 2016-06, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" and ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing."

In accordance with Topic 606, we applied the modified retrospective method to those contracts which were not substantially completed as of January 1, 2019. Under the modified retrospective method, the cumulative effect of applying the standard is recognized at the date of initial application. Results for reporting periods beginning after January 1, 2019 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605.

In implementing Topic 606, we were required to recalculate the revenue earned on any work in process at the implementation date and to restate the revenue and cost of services as if Topic 606 had been followed from the inception of the contract. In recalculating costs and revenue under Topic 606 guidelines, we identified no material difference in the account balances. Since a material difference was not found, no retrospective analysis of account balance changes was required.

If adjustments are material or you choose to make immaterial adjustments, the last 2 sentences above may read as follows:

In recalculating costs and revenue under Topic 606 guidelines, the difference between the recognition criteria under Topic 606 and the Company's previous revenue recognition practices under the previous revenue recognition guidance, ASC Topic 605-35, was recognized through a cumulative effect adjustment of approximately $XXX that was made to the opening balance of retained earnings as of January 1, 2019. The impact of adoption of Topic 606 on the balance sheet and statement of operations as of and for the year ended December 31, 2019 are presented in Note XX.

Practical Expedients and Exemptions

Upon the adoption of ASC 606, the Company utilized certain practical expedients and exemption as follows **(only include those applicable)**:

- Applied the modified-retrospective method upon adoption of ASC Topic 606 which allowed the new accounting standard to be applied only to contracts that were not considered substantially complete as of January 1, 2019.
- In cases where we have an unconditional right to consideration from a customer in an amount that corresponds directly with the value of our performance completed to date, we recognize revenue in the amount to which we have a right to invoice for services performed.
- The contract price is not adjusted for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a service to a customer and when the customer pays for that service will be one year or less. Retention withheld on contract progress billings does not constitute financing.
- The portfolio approach was used to evaluate a portfolio of contracts with similar characteristics where it was determined that the effects of applying this method to the portfolio of contracts would produce the same results as if each contract in the portfolio was evaluated through the five-step approach individually. The Company accounted for its use of the portfolio approach by using estimates and assumption that reflect the size and composition of the portfolio.
- The Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the capitalizable asset that the Company otherwise would have recognized is one year or less.

Financial Statement Operating Cycle

In accordance with normal construction industry practice, assets and liabilities related to long-term construction contracts are included in current assets and current liabilities as they will be liquidated in the normal course of contract completion, although this may require more than one year. [**Also suggested]** The length of contracts entered into by the Company generally range from six to eighteen months.

Accounts Receivable

Accounts receivable are initially recognized at the fair value of consideration receivable, which equates to minimal value, and are subsequently measured at amortized costs, less an allowance for uncollectible amounts, which equate to net realizable value.

Accounts receivable comprise trade accounts receivable and certain other receivables and amounts due from related parties. Trade accounts receivable represent our unconditional right, subject only to the passage of time, to receive consideration arising from our performance under contracts with customers. Trade accounts receivable include amounts billed and billable on construction contracts, service and maintenance contracts and contracts for the sale of goods. Billed contract receivables have been invoiced to customers based on contracted amounts.

Unbilled receivables comprise amounts due to the Company for completed contracts that have not yet been invoiced at the reporting date. Unbilled receivables also include amounts billable on uncompleted time-and-material contracts that have not yet been invoiced at the reporting date. The Company typically invoices unbilled receivables within one month of the reporting date.

A majority of the Company's construction contracts and a small minority of service and maintenance contracts include retainage provisions. Retainage represents amounts withheld from billings by customers until work is substantially complete (or until certain milestones are reached, or both) to ensure that obligations are satisfied under the contract. **[(Retainage Classified as Receivable Example)** Under the typical contract provisions for the Company, payment of retainage is only subject to the passage of time, so the Company includes unbilled retainage in accounts receivable during performance on contracts even though the amount may be subject to refund in the future. **OR (Retainage Classified as Contract Asset Example)** The Company considers retention that is withheld on progress billings as not creating an unconditional right to payment until contractual milestones are reached (typically substantial completion). Accordingly, withheld retention is considered a component of contracts assets and liabilities until finally billed to the customer, when obligations have been satisfied and the right to receipt is subject only to the passage of time. Contract assets and liabilities are reported on a net basis on each contract.**]**

Most construction contracts where the Company performs as a subcontractor contain "pay when paid" or "pay if paid" provisions that allow the general contractor to hold payment until they have received payment from the owner related to the work performed. Because these provisions do not impose any additional obligations on the Company (i.e., there are no conditions remaining to fulfill to receive payment), the Company considers receivables billed under these provisions to be subject only to the passage of time.

As a practical expedient, the Company has elected not to adjust the promised amount of consideration for a significant financing component in our contracts when we expect, at contract inception, that the period between (1) our transfer of a promised product or service to a customer and (2) when the customer pays for that product or service will be one year or less. The Company typically does not include extended payment terms in our contracts with customers.

Contract Receivable

Contract receivables are carried at the outstanding amount due less an allowance for doubtful accounts, if an allowance is deemed necessary. Allowances for doubtful accounts are established when there is a basis to doubt the full collectability of the contract receivable. On a periodic basis, the Company evaluates its contract receivables and determines the requirement for an allowance, based on its history of past write-offs, collections and current conditions. When a contract receivable is ultimately determined to be uncollectible, the contract receivable is written off.

A majority of the Company's construction contracts include retainage provisions. Retainage represents amounts withheld from billings by customers until work is substantially complete (or until certain milestones are reached, or both) to ensure that obligations are satisfied under the contract. **[(Retainage Classified as Receivable Example.)** Under the typical contract provisions for the Company, payment of retainage is only subject to the passage of time, so the Company includes unbilled retainage in accounts receivable during performance on contracts even though the amount may be subject to refund in the future. **OR (Retainage Classified as Contract Asset Example)** The Company considers retention that is withheld on progress billings as not creating an unconditional right to payment until contractual milestones are reached (typically substantial completion). Accordingly, withheld retention is considered a component of contracts assets and liabilities until finally billed to the customer, when obligations have been satisfied and the right to receipt is subject only to the passage of time. Contract assets and liabilities are reported on a net basis on each contract.**]**

Most construction contracts where the Company performs as a subcontractor contain "pay when paid" or "pay if paid" provisions that allow the general contractor to hold payment until they have received payment from the owner related to the work performed. Because these provisions do not impose any additional obligations on the Company (i.e., there are no conditions remaining to fulfill to receive payment), the Company considers receivables billed under these provisions to be subject only to the passage of time.

As a practical expedient, the Company has elected not to adjust the promised amount of consideration for a significant financing component in our contracts when we expect, at contract inception, that the period between (1) our transfer of a promised product or service to a customer and (2) when the customer pays for that product or service will be one year or less. The Company typically does not include extended payment terms in our contracts with customers.

Inventories

Inventories are carried at the lower of cost or net realizable value; cost is defined as follows:

- **Materials and supplies inventories** – purchase cost using the first-in, first-out (FIFO method; and
- **Stored materials for contracts** – purchase cost using the specific identification method.

Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Inventory write-downs to net realizable value, when necessary, are included in costs of revenues earned.

Costs incurred in the period for materials to which we still hold title and which we will install as part of future activity on contracts are reported in inventories as stored materials for contracts

OR

as a separate line item on the balance sheet as stored materials for contracts.

Contract Assets and Liabilities *(Example 1)*

Contract assets comprise revenues earned in excess of billings on uncompleted contracts. Revenues in excess of billings are considered contract assets only when the right to payment is not unconditional. Once the Company has an unconditional right to consideration under a contract, the amount of consideration unconditionally due is reclassified to accounts receivable, net as either a billed or unbilled contract receivable. Contract assets are periodically tested for impairment. When contract assets are not considered recoverable, we record an impairment charge to earnings for the nonrecoverable amount.

Contract liabilities are comprised of the following:

- **Billings in excess of revenues earned on uncompleted contracts** - This represent billings in excess of revenues recognized on incomplete construction and service and maintenance contracts.

- **Deferred contract revenues** – This represents consideration received, or which is unconditionally due, from a customer prior to our transferring goods or performing services under a contract.

As a practical expedient, the Company does not adjust the value of a down payment for the effects of a significant financing component when we expect, at contract inception, that the period between the down payment and our transfer of a promised good or service to the customer will be one year or less.

Contract Assets and Liabilities *(Example 2)*

Billing practices are governed by the contract terms of each project based upon costs incurred, achievement of milestones or predetermined schedules. Billings do not necessarily correlate with revenue recognized over time using the percentage-of-completion method. Contract assets include unbilled amounts typically resulting from revenue under long-term contracts when the percentage-of-completion method of revenue recognition is utilized and revenue recognition exceeds the amount billed to the customer. Contract liabilities consist of advance payments and billings in excess of revenue recognized as well as deferred revenue.

Retainage receivable, included in contract assets and liabilities, represent the amounts withheld from billings by our customers pursuant to provision in the contracts and may not be paid to us until the completion of specific tasks or the completion of the project and, in some instances, for even longer periods. Retainage may also be subject to restrictive conditions such as performance guarantees. **(Do not include this paragraph if retainage is classified as a receivable.)**

The Company's contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. The Company classifies contract assets and liabilities as current or noncurrent to the extent the revenue is expected to be recognized in excess of one year from the balance sheet date.

Contract Cost Assets

Contract cost assets comprise costs to obtain contracts and costs to fulfill contracts.

Costs to obtain a contract are capitalized if they are incremental to obtaining the contract and if they are expected to be recovered. Capitalized costs to obtain contracts are amortized over the period we expect to benefit (typically life of the contract plus any renewals). Costs to obtain contracts comprise revenue-based sales commissions, all of which have amortization periods of less than one year. The Company has elected, as a practical expedient, to expense, as incurred, capitalizable costs to obtain contracts when the amortization period is less than one year. Due to the practical expedient, we capitalized no costs to obtain contracts during 2019.

Costs that relate to past performance, or for which there is uncertainty whether they relate to past or future performance, are not eligible for capitalization. Therefore, on contracts where revenue is recognized over time, costs incurred once work commences is not eligible for capitalization.

Capitalized fulfillment costs are comprised of project mobilization costs, surety fees, and certain other startup costs that were incurred prior to commencing work on the contract. The Company does not believe that mobilization costs, which primarily comprise direct labor costs, and other startup costs transfer value to the customer and therefore the Company does not believe that they constitute performance of the contract obligations. Based on this understanding, the Company believes that these costs qualify for capitalization as fulfillment costs.

Capitalized fulfillment costs are expensed to contract costs over the life of the contract. The Company amortizes these costs to the associated contract on a systematic basis consistent with the pattern of transfer of the good or service to which it relates. In most cases, the Company uses straight line over the period of performance of the contract **(Alternatively – The Company amortizes these costs to the associated contract based on the percentage of completion achieved).** The Company periodically tests capitalized fulfillment costs for impairment. Capitalized costs are considered impaired when the net contract cost asset plus future costs to complete the contract are less than the remaining revenue to be recognized under the contract. When capitalized contract costs are impaired, the Company records a charge to earnings in the amount of the impairment.

Both amortization and impairment of capitalized contract fulfillment costs are included in costs of revenues earned. The Company recorded expense related to its contract cost assets of $xxx and $xxx for the years ended December 31, 2019 and 2018, respectively. The Company recognized impairment on its contract cost assets of $xxx and $xxx for the years ended December 31, 2019 and 2018, respectively.

REVENUE RECOGNITION

Contract Combination

To determine proper revenue recognition, the Company evaluates whether two or more contracts should be combined and accounted for as a single contract and whether a combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment, and the decision to combine contracts or separate a combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period.

Performance Obligations *(Example 1)*

Contracts are considered to contain a single performance obligation if the promise to transfer individual goods or services is not separately identifiable from other promises in the contracts primarily because we provide a significant service of integrating a complex set of tasks and components into a single project or capability. A series of goods or services are a single performance obligation if the goods or services are substantially the same and each distinct good or service in the series will be satisfied over time and the same method would be used to measure progress towards satisfaction. Contracts that cover multiple performance phases of the product lifecycle (development, construction, maintenance and support) are typically considered to have multiple performance obligations even when they are part of a single contract.

For contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation using the best estimate of the standalone selling price of each distinct good or service in the contract. In cases where we do not provide the distinct good or service on a standalone basis, the primary method used to estimate standalone selling price is the expected cost plus a margin approach, which forecasts the expected costs of satisfying a performance obligation plus an appropriate margin for that distinct good or service.

As mentioned in Note XX on warranties, the Company provides product warranties, as well as limited workmanship warranties, to our customers. These warranties are either included in the sale or sold separately, and do not provide customers with a service in addition to assurance of compliance with agreed upon specifications. The Company does not consider these assurance-type warranties to be separate performance obligations.

OR

(The Company provides limited warranties to customers for work performed under our contracts that typically extend for a limited duration following substantial completion of our work on a project. Such warranties are not sold separately and do not provide customers with a service in addition to assurance of compliance with agreed-upon specifications. Accordingly, these types of warranties are not considered to be separate performance obligations. Historically, warranty claims have not resulted in material costs incurred.)

Performance Obligations *(Example 2)*

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC Topic 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

For most of our contracts, the customer contracts with us to provide a significant service of integrating a complex set of tasks and components into a single project or capability (even if that single project results in the delivery of multiple units). Hence, the entire contract is accounted for as one performance obligation. A series of goods or services are a single performance obligation if the goods or services are substantially the same and each distinct good or service in the series will be satisfied over time and the same method would be used to measure progress towards satisfaction. Less commonly, however, the Company may promise to provide distinct goods or services within a contract, in which case the contract is separated into more than one performance obligation. If a contract is separated into more than one performance obligation, the Company allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. The primary method used to estimate standalone selling price is the expected cost plus a margin approach to estimate the standalone selling price of each performance obligation.

Transaction Price *(Example 1)*

The transaction price of a contract comprise the following: (1) fixed cash consideration due from the customer; plus (2) estimated cash variable consideration due from the customer; plus (3) noncash consideration due from the customer; minus (4) estimated cash or noncash consideration payable to the customer; minus (5) contingent amounts, unless no revenue reversal is probable (i.e., constraint); plus or minus (6) any financing component. The Company bases the expected consideration from the customer on the existing contract and assumes goods and services will be transferred as promised.

If the contract contains liquidated damages, the Company estimates the amount of this variable consideration at the most likely amount. The transaction price of the contract is reduced by this estimate, which is not subject to constraint.

Our contracts do not typically include any consideration payable to the customer or any significant financing components.

The Company has not made an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by governmental authorities that is collected from our customers (e.g., sales tax or gross receipts tax).

Transaction Price *(Example 2)*

The nature of the Company's contracts gives rise to several types of variable consideration, including unpriced change orders, claims, award and incentive fees. The Company includes in the contract estimates additional revenue for submitted contract modifications or claims against the customer when the Company believes it has an enforceable right to the modification or claim, the amount can be estimated reliably, and its realization is probable. In evaluating these criteria, the Company considers the contractual/legal basis for the claim, the cause of any additional costs incurred, the reasonableness of those costs, and the objective evidence available to support the claim. The Company includes awards or incentive fees in the estimated transaction price when there is a basis to reasonably estimate the amount of the fee. These estimates are based on historical award experience, anticipated performance and management's best judgment at the time. The Company includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Because of certainty in estimating these amounts, they are included in the transaction price of the contracts and the associated remaining performance obligations.

If the contract contains liquidated damages, the Company estimates the amount of this variable consideration at the most likely amount. The transaction price of the contract is reduced by this estimate, which is not subject to constraint.

Noncash Consideration

The Company includes customer-furnished materials in the transaction price and revenue as noncash consideration if control is obtained over the materials to facilitate satisfaction of our contract performance obligation. Customer-furnished materials recognized as revenues are valued at their estimated fair value, with an equal amount recognized in costs of revenues earned.

Contract Estimates

Due to the nature of our performance obligations, the estimation of total revenue and cost at completion is subject to many variables and requires significant judgment. Management must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the cost and availability of materials, the performance of subcontractors, and the availability and timing of funding from the customer, among other variables. As a significant change in one or more of these estimates could affect the profitability of contracts, the Company reviews and updates contract-related estimates regularly through a review process in which management reviews the progress and execution of performance obligations and the estimated cost at completion. As part of this process, management reviews information including, but not limited to, any outstanding key contract matters, progress toward completion and the related program schedule and the related changes in estimates of revenues and costs.

The Company recognizes adjustments in estimated revenue recognized on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on revenue recorded to date is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance is recognized using the adjusted estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, a provision for the entire loss is recognized in the period it is identified.

OR

(The Company recognizes changes in contract estimates on a cumulative catch-up basis in the period in which the changes are identified. Such changes in contract estimates can result in the recognition of revenue in a current period for performance obligations which were satisfied or partially satisfied in a prior period. Changes in contract estimates may also result in the reversal of previously recognized revenue if the current estimate differs from the previous estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, we recognize the total loss in the period it is identified.)

Contract Modifications *(Example 1)*

Contracts are often modified due to changes in contract specifications and requirements. The Company considers contract modifications to exist when the modification either creates new or changes the existing enforceable rights and obligations. Most contract modifications are for goods or services that are not distinct from existing contracts due to the significant integration provided in the context of the contract; thus, these are accounted for as if they were part of the original contract. The effect of a contract modification on the transaction price, and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase or a reduction) on a cumulative catch-up basis.

The Company accounts for contract modifications as a separate contract when the modification results in the promise to deliver additional goods or services that are distinct and the increase in price of the contract is for the same amount as the stand-alone selling price of the additional goods or services included in the modification.

Contract Modifications *(Example 2)*

Contract modifications are routine in the performance of the Company's contracts. Contracts are often modified to account for changes in the contract specifications or requirements. In most instances, contract modifications are for goods or services that are not distinct, and, therefore, are accounted for as part of the existing contract.

Contract Modifications *(Example 3)*

Contracts are often modified to account for changes in contract specifications and requirements. We consider contract modifications to exist when the modification either creates new or changes the existing enforceable rights and obligations. Most of our contract modifications are for goods or services that are not distinct from the existing performance obligation(s). The effect of a contract modification on the transaction price, and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase or decrease) on a cumulative catchup basis.

Variable Consideration *(Example 1)*

The nature of our contracts gives rise to several types of variable consideration, including claims and unpriced change orders; awards and incentive fees; and liquidated damages and penalties. The Company recognizes revenue for variable consideration when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The Company estimates the amount of revenue to be recognized on variable consideration using the expected value (i.e., the sum of a probability-weighted amount) or the most likely amount method, whichever is expected to better predict the amount.

Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on assessment of legal enforceability, our performance, and all information (historical, current, and forecasted) that is reasonably available to the Company.

Variable Consideration *(Example 2)*

It is common for contracts to contain variable consideration in the form of incentive fees, performance bonuses, award fees, liquidated damages or penalties. Other contract provision also give rise to variable consideration such as claims and unpriced change orders that may either increase or decrease the transaction price. The Company estimates the amount of variable consideration at the most likely amount we expect to be entitled. Variable consideration is included in the transaction price when it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. The Company’s estimates of variable consideration and determination of whether to include such amounts in the transaction price are based largely on our assessment of legal enforceability, anticipated performance, and any other information (historical, current, or forecasted) that is reasonably available to us.

Variable consideration associated with claims and unapproved change orders is included in the transaction price when the Company believes it has an enforceable right to the modification or claim, the amount can be estimated reliably, and its realization is probable. The Company recognizes claims against vendors, subcontractors and others as a reduction in recognized costs when enforceability is established by the contract and the amounts are reasonably estimable and probable of recovery. Reductions in costs are recognized to the extent of the lesser of the amount management expects to recover or actual costs incurred.

Construction Contracts *(Example 1)*

The Company recognizes revenue on construction contracts over time as performance obligations are satisfied due to the continuous transfer of control to the customer. The customer typically controls the work in process, as evidenced either by contractual termination clauses or by our rights to payment for work performed to date plus a reasonable profit to deliver products or services that do not have an alternative use to the Company. The Company's construction contracts are generally accounted for as a single performance obligation, since we are providing a significant service of integrating components into a single project. The Company recognizes revenue using a cost-based input method, by which we use actual costs incurred relative to total estimated contract costs to determine, as a percentage, progress toward contract completion. This percentage is applied to the transaction price to determine the cumulative revenue recognized. Costs incurred that do not contribute to satisfying performance obligations are excluded from the cost input calculation as these amounts are not reflective of transferring control to the customer. The Company believes the cost-based input method is the most faithful depiction of performance, because it directly measures the value of the services transferred to the customer.

If, based on a lack of reliable information, progress cannot be reasonably measured, recognition of revenues (but not costs) is deferred until progress can be reliably measured. If, however, we expect that total costs will be recovered, we recognize revenues equal to costs incurred until we can reliably measure progress.

Revenues on uninstalled materials are recognized when control is transferred to the customer, to the extent of the costs incurred.

Revenues recognized from construction contracts, net of contract discounts and allowances (including cash discounts), are included in construction revenues earned, net.

Because the Company almost always act as a principal in our contracts, we recognize revenues gross. The Company is considered the principal because we control the contractually specified goods and services before they are transferred to the customer.

The payment terms of our construction contracts from time to time require the customer to make advance payments as well as interim payments as work progresses. The advance payment generally is not considered a significant financing component as we expect to recognize those amounts in revenue within a year of receipt as work progresses on the related performance obligation.

Engineering and Construction Contracts *(Example 2)*

We recognize revenue over time, as performance obligations are satisfied, for substantially all of our engineering and construction contracts due to the continuous transfer of control to the customer. For most engineering and construction contracts, the customer contracts with the Company to provide a significant service of integrating a complex set of tasks and components into a single project or capability and are therefore accounted for as a single performance obligation. The Company recognizes revenue using the cost-to-cost input method, based primarily on contract costs incurred to date compared to total estimated contract costs. This method is the most accurate measure of contract performance because it directly measures the value of the goods and services transferred to the customer.

Contract costs include all direct material, labor and subcontractor costs and indirect costs related to contract performance. Customer-furnished materials are included in both contract revenue and cost of revenue when management concludes that the Company is acting as a principal rather than as an agent. The Company recognizes revenue to the extent of costs incurred on certain uninstalled materials that are not specifically produced or fabricated for a project. Revenue for uninstalled materials is recognized when the cost is incurred and control is transferred to the customer. Project mobilization costs are generally charged to the project as incurred when they are an integrated part of the performance obligation being transferred to the client. Pre-contract costs are expensed as incurred unless they are expected to be recovered from the customer.

The payment terms of our engineering and construction contracts from time to time require the customer to make advance payments as well as interim payments as work progresses. The advance payment generally is not considered a significant financing component as we expect to recognize those amounts in revenue within a year of receipt as work progresses on the related performance obligation.

Service and Maintenance Contracts *(Example 1)*

For service revenue and maintenance contracts for which we have the right to consideration from the customer in an amount that corresponds directly with the value to the customer of our performance completed to date, the Company recognizes revenue when services are performed. For these contracts, we typically bill the customer a fixed amount for each hour of labor provided, as well as a fixed markup on materials used. Revenue recognized on these contracts is calculated in the amount to which we have a right to invoice for services performed.

For service and maintenance contracts that do not meet the preceding criteria, the Company recognizes revenue over time using the same methodology used for construction contracts. The Company believes utilizing the cost-based input method on service contracts is the most faithful depiction of our performance because it directly measures the value of the services transferred to the customer.

Revenues from rendering of services, net of contract discounts and allowances (including cash discounts), are included in service revenues earned, net.

Service Contracts *(Example 2)*

The Company also performs service contracts and recognizes the revenue on those contracts at a point in time as the work is performed and the customer is charged for the service.

Service Contracts *(Example 3)*

For service contracts (including maintenance contracts) where the Company has the right to consideration from the customer in an amount that corresponds directly with the value received by the customer based on performance to date, revenue is recognized when services are performed and contractually billable. For all other types of service contracts, revenue is recognized over time generally using the cost-to-cost method (e.g., costs incurred to date relative to total estimated costs at completion) to measure progress because it best depicts the transfer of value to the customer. Contract costs include all direct materials, labor, and subcontractor costs and allocation of indirect costs related to contract performance.

Under the typical payment terms of our service contracts, amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., weekly, biweekly or monthly) or upon achievement of contractual milestones.

Contracts for Sale of Goods

The Company recognizes revenues for the sale of goods at a point in time, following the transfer of control of the goods to the customer, which typically occurs upon delivery of the goods to the customer.

Revenues from sale of goods, net of cash discounts, are included in other revenues earned.

Cost and Expense Recognition

Contract costs include all direct labor, materials, subcontractor, and equipment costs, and those indirect costs related to contract performance, such as indirect labor, tools and supplies, repairs, interest and depreciation costs. Indirect costs are allocated to contracts based on direct labor and subcontractor costs.

For construction and service and maintenance contracts, costs are generally recognized as incurred. Under certain circumstances, costs incurred in the period related to future activity on contracts may be capitalized. Certain stored materials, for which control has not passed to the customer are included in inventories. Stored materials are recognized as costs of revenues when they are installed. Certain costs to obtain contracts may be capitalized. In addition, certain contract fulfillment costs may be capitalized if they meet the appropriate criteria.

Cost incurred that do not contribute to satisfying performance obligations are excluded from the cost input calculation for revenue recognition. Excluded costs include both uninstalled materials and abnormal costs. Abnormal costs comprise wasted materials, wasted or rework labor and other resources to fulfill a contract that were not reflected in the price of the contract. A limited allowance for material overages and labor inefficiencies is typically included in our contract costs estimates (and by extension in the contract price).

For both construction contracts and service and maintenance contracts, when it is probable that the total contract costs will exceed total contract revenues, a provision for the estimated expected loss is recorded.

The Company recognizes the cost of goods sold at the time control is transferred to the customer.

Warranties *(Example 1)*

For construction contracts, the Company provides a two-year warranty covering defects in workmanship and a two-year warranty covering installed materials when the latter are not covered by manufacturer warranties. The Company provides a one-year warranty on labor and materials on repair and maintenance contracts, excluding leak repairs, for which no warranty is provided. Due to owner, general contractor and manufacturer inspections of work prior to final acceptance, the Company has not experienced material warranty costs for these warranties and has therefore determined that no accrual for estimated future warranty costs is necessary.

Warranties *(Example 2)*

The Company typically warrants labor for the first year after installation on new HVAC systems. We generally warrant labor for thirty days after servicing of existing HVAC systems. A reserve for warranty costs is estimated and recorded based upon the historical level of warranty claims and management's estimate of future costs.

Warranties *(Example 3)*

Many construction contracts contain warranty provisions covering defects in equipment, materials, design or workmanship that generally run from six months to one year after the customer accepts the contract. These assurance warranties are not accounted for as performance obligations. Because of the nature of our projects, including contract owner inspections of the work both during construction and prior to acceptance, the Company has not experienced material warranty costs for these short-term warranties and, therefore, do not believe an accrual for these costs is necessary. Certain construction contracts carry longer warranty periods, ranging from two to ten years, for which we have accrued an estimate of warranty costs. The warranty liability is estimated based on our experience with the type of work and any known risks relative to the project and was not material as of December 31, 20XX. For extended warranty periods, we assess the warranty agreement to determine if additional services are provided. If additional services such as extended maintenance and repair are provided, we account for them as a separate performance obligation under the construction contract.

REMAINING PERFORMANCE OBLIGATIONS
(BACKLOG EXAMPLE 1 - NO TABLE PRESENTED)

(Optional Disclosure, Not Required for Private Entities)

Remaining construction performance obligations represent the remaining transaction price, including variable consideration not constrained, for which work has not been performed. As of December 31 2019, the aggregate amount of the transaction price allocated to remaining performance obligations was $XXX. The Company expects to recognize revenue on approximately XX% of the remaining performance obligations over the next 12 months, with the remaining recognized thereafter. Our service maintenance agreements are generally one-year renewable agreements. We have adopted the practical expedient that allows us to not include service maintenance contracts less than one year, therefore we do not report unfulfilled performance obligations for service maintenance agreements.

REMAINING PERFORMANCE OBLIGATIONS / CONTRACT BACKLOG
(EXAMPLE 2)

(Optional Disclosure, Not Required for Private Entities)

Backlog represents the amount of the transaction price, including variable consideration not constrained, allocated to remaining (i.e., unsatisfied or partially unsatisfied) performance obligations at the end of each reporting period. Backlog includes revenues we expect to realize both from uncompleted contracts and from signed contracts on which work has not yet begun. Our backlog balance as of December 31st, and changes during the year, are comprised of the following:

	2019	2018
Backlog as of January 1	$ -	$ -
Contract Adjustments	-	-
New Contracts During the Year	-	-
Subtotal	$ -	$ -
Less: Contract Revenues Earned During the Year	-	-
Backlog on Contracts in Progress	-	-
Contracts Signed but Not Started	-	-
Total Backlog as of December 31	$ -	$ -

As of December 31, 2019, we expect to recognize substantially all of our backlog balance within 12 months of the reporting date.

Impact of ASC 606 Adoption *(Example 1)*

The Company recognized the cumulative effect of initially applying ASC 606 as an adjustment to retained earnings in the balance sheet as of January 1, 2019 as follows:

Balance Sheet	Balance at December 31, 2018	Adjustments Due to ASC 606	Balance at January 1, 2019
Assets			
Receivables, net	$ -	$ -	$ -
Contract assets	-	-	-
Costs and estimated earnings in excess of billings	-	-	-
Other noncurrent assets	-	-	-
Liabilities and Equity			
Contract liabilities	$ -	$ -	$ -
Billings in excess of costs and estimated earnings	-	-	-
Accrued expenses and other current liabilities	-	-	-
Retained earnings	-	-	-

The impact of adoption on the balance sheet, statement of operations, and cash flows for the year ended December 31, 2019 was as follows:

	As of December 31, 2019		
Balance Sheet	As Reported	Balances Without Adoption of Topic 606	Effect of Change Higher (Lower)
Assets			
Receivables, net	$ -	$ -	$ -
Contract assets	-	-	-
Costs and estimated earnings in excess of billings	-	-	-
Other noncurrent assets	-	-	-
Liabilities and Equity			
Contract liabilities	$ -	$ -	$ -
Billings in excess of costs and estimated earnings	-	-	-
Accrued expenses and other current liabilities	-	-	-
Retained earnings	-	-	-

Statement of Operations	Year Ended December 31, 2019		
	As Reported	Balances Without Adoption of Topic 606	Effect of Change Higher (Lower)
Revenue			
Contract	$ -	$ -	$ -
Service	-	-	-
Other	-	-	-
Total Revenues	-	-	-
Cost of Revenue			
Contract	-	-	-
Service	-	-	-
Other	-	-	-
Total Cost of Revenues	-	-	-
Gross Profit	-	-	-
Operating Income	-	-	-
Provision for Income Taxes	-	-	-
Net Income	$ -	$ -	$ -

Note: If significant, include impacts on statement of cash flows. If not significant, note in footnote.

The impacts of adoption were primarily related to:

(1) conforming our contracts recorded over time from previously acceptable methods to the cost-to-cost percentage of completion methodology,
(2) combining certain deliverables that were previously considered separate deliverables into a single performance obligation, and
(3) separating certain contracts that were previously considered one deliverable into multiple performance obligations.

The impacts of adoption on our opening balance sheet were primarily related to reclassification of amounts between "accounts receivable, net of allowance for doubtful accounts" and "contract assets" based on whether an unconditional right to consideration has been established or not, and the deferral of costs incurred and payments received to fulfill a contract which were previously recorded in income in the period incurred or received but under the new standard will generally be capitalized and amortized over the period of contract performance.

Impact of Adopting Topic 606 *(Example 2)*

Effective on January 1, 2019, the Company adopted Topic 606 using a modified retrospective transition approach. We elected to apply Topic 606 to contracts with customers that are not substantially complete (i.e. less than 90% complete), as of December 31, 2018. The core principle of Topic 606 is revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services.

While the adoption of Topic 606 did not have an impact on revenue for our Materials segment, it did impact revenue in our Transportation segment specifically in the areas of:

(1) multiple performance obligations,
(2) multiple contracts,
(3) revenue recognition, and
(4) provisions for losses.

The impact to retained earnings as of January 1, 2019 from the adoption of Topic 606 related to the items noted above was a net cumulative decrease of $XX.

In addition, as of January 1, 2019, we began to separately present contract assets and liabilities on the balance sheets. Contract assets include **[(if retainage classified as contract asset)** amounts due under contractual retainage provision that were previously included in accounts receivable**]** as well as costs and estimated earnings in excess of billings that were previously separately presented. Contract liabilities include billings in excess of costs and estimated earnings that were previously separately presented.

The amounts by which each balance sheet line item as of December 31, 2019 and statement of operations line item for the year ended December 31, 2019 was affected by the adoption of Topic 606 relative to the previous revenue guidance are represented in the tables below. The changes are primarily related to reclassifications on the balance sheet and the impact on the statement of operations from the new requirements under Topic 606. The change in retained earnings is net of the cumulative effect of initially applying Topic 606.

The Company recognized the cumulative effect of initially applying ASC 606 as an adjustment to retained earnings in the balance sheet as of January 1, 2019 as follows:

Balance Sheet	Balance at December 31, 2018	Adjustments Due to ASC 606	Balance at January 1, 2019
Assets			
Receivables, net	$ -	$ -	$ -
Contract assets	-	-	-
Costs and estimated earnings in excess of billings	-	-	-
Other noncurrent assets	-	-	-
Liabilities and Equity			
Contract liabilities	$ -	$ -	$ -
Billings in excess of costs and estimated earnings	-	-	-
Accrued expenses and other current liabilities	-	-	-
Retained earnings	-	-	-

The impact of adoption on the balance sheet, statement of operations, and cash flows for the year ended December 31, 2019 was as follows:

	As of December 31, 2019		
Balance Sheet	As Reported	Balances Without Adoption of Topic 606	Effect of Change Higher (Lower)
Assets			
Receivables, net	$ -	$ -	$ -
Contract assets	-	-	-
Costs and estimated earnings in excess of billings	-	-	-
Other noncurrent assets	-	-	-
Liabilities and Equity			
Contract liabilities	$ -	$ -	$ -
Billings in excess of costs and estimated earnings	-	-	-
Accrued expenses and other current liabilities	-	-	-
Retained earnings	-	-	-

	Year Ended December 31, 2019		
Statement of Operations	As Reported	Balances Without Adoption of Topic 606	Effect of Change Higher (Lower)
Revenue			
Contract	$ -	$ -	$ -
Service	-	-	-
Other	-	-	-
Total Revenues	-	-	-
Cost of Revenue			
Contract	-	-	-
Service	-	-	-
Other	-	-	-
Total Cost of Revenues	-	-	-
Gross Profit	-	-	-
Operating Income	-	-	-
Provision for Income Taxes	-	-	-
Net Income	$ -	$ -	$ -

Note: If significant, include impacts on statement of cash flows. If not significant, note in footnote.

Disaggregation of Revenue (if not presented on the face of the financial statements)

Contract revenues for 2019 and 2018 are comprised of the following:

	2019	2018
Revenue by Major Product Lines/Services Lines		
Sale of Goods	$ -	$ -
Rendering of Services, Net	-	-
Construction Contracts, Net	-	-
Total Contract Revenues Earned	$ -	$ -
	2019	**2018**
Revenue by Timing of Revenue Recognition (*)		
Products Transferred at Point in Time	$ -	$ -
Products and Services Transferred Over Time	-	-
Total Contract Revenues Earned	$ -	$ -
	2019	**2018**
Revenue by Types of Customers		
Commercial	$ -	$ -
Industrial	-	-
Public/Institution - educational	-	-
Public/Institution - government	-	-
Residential	-	-
Other	-	-
Total Contract Revenues Earned	$ -	$ -
	2019	**2018**
Revenue by Primary Geographic Markets		
Texas	$ -	$ -
Louisiana	-	-
North Carolina	-	-
Georgia	-	-
Total Contract Revenues Earned	$ -	$ -

*** Timing of transfer is the only quantitative disaggregation requirement for non-public entities. Other tables are optional.**

(Without inclusion of a Table for Timing of Revenue Recognition)

Revenues from construction contracts and from the rendering of services (i.e., from service and maintenance contracts) comprise revenues from goods and services transferred over time. Revenue from the sale of goods comprise revenues from goods transferred to customers at a point in time. Substantially all construction contracts, and a small percentage of service and maintenance contracts, are fixed-price contracts. A majority of service and maintenance contracts are time-and-materials contracts.

Contract Assets and Liabilities

The components of contract assets and liabilities are as follows:

(Numbers are inputted for example purposes only)

	December 31, 2019	January 1, 2019
Cost in Excess of Billings and Estimated Earnings	$ -	$ -
Contract Retention **(*)**	20,000	-
Unbilled Receivable **(**)**	-	-
Billings in Excess of Costs and Estimated Earnings, net of retention	(233,841)	
Deferred Revenues on Construction Contracts	-	-
Net Contract Asset (Liability)	$ (213,841)	$ -

*** Represents retention amounts withheld from billings by customers conditioned on satisfactory performance.**
**** Represents unbilled receivables that are conditioned on a basis other than passage of time.**

The components of costs and estimated earnings at December 31, were as follows:

	2019	2018
Costs incurred on uncompleted contracts	$ -	$ -
Estimated earnings	-	-
Less: billings to date	-	-
Total	$ -	$ -

Included in the accompanying balance sheet under the following captions:

	December 31, 2019	December 31, 2018	(see note) January 1, 2018
Costs and estimated earnings in excess of billings on uncompleted contracts	$ -	$ -	$ -
Billings in excess of costs and estimated earnings on uncompleted contracts	-	-	-
Total	$ -	$ -	$ -

Note: Required to disclose opening and closing balances of receivables, contract assets and contract liabilities. Inclusion of January 1, 2018 column provides the opening balance for 2018.

Contract Cost Assets

Contract cost assets are comprised of the following:

(Note: Classification as current or noncurrent will be dependent on the timing of the expected recovery)

	2019	2018
Capitalized contract fulfillment costs	$ -	$ -
Capitalized incremental costs to obtain a contract	-	-
Less: accumulated amortization and impairment	-	-
Total contract cost assets	$ -	$ -

Contract (Accounts) Receivables, Net

The components of receivables, net are as follows:

	December 31, 2019	December 31, 2018	(see note) January 1, 2018
Contracts completed and in progress:			
Billed	$ -	$ -	$ -
Unbilled	-	-	-
Retentions (*)	-	-	-
Total Contracts Completed and in Progress	-	-	-
Material Sales	-	-	-
Other	-	-	-
Total Gross Receivables	-	-	-
Less: Allowance for Doubtful Accounts	-	-	-
Total Net Receivables	$ -	$ -	$ -

*** Represents obligations that have been satisfied and receipt is subject only to passage of time.**

Note: Required to disclose opening and closing balances of receivables, contract assets and contract liabilities. Inclusion of January 1, 2018 column provides the opening balance for 2018.

Contract (accounts) receivable at December 31, 2019 include $XXX that is not expected to be collected within one year.

Accounts Payable

Accounts payable include amounts due to subcontractors, totaling $XXX and $XXX at December 31, 2019 and 2018, respectively, which have been retained pending completion and customer acceptance of jobs. Accounts payable at December 31, 2019 include $XXX that is not expected to be paid within one year.

XYZ CONSTRUCTION CORP. (An S Corporation)

SCHEDULES OF CONTRACTS IN PROCESS AND COMPLETED CONTRACTS

	Estimated Contract Amounts						
	Current Contract Total	**Costs to Date**	**Estimated Costs to Complete**	**Total Estimated Costs**	**Estimated Final Gross Profit (Loss)**	**Estimated Gross Profit (Loss)%**	**Percent Complete**
Contracts in Process							
Percentage of Completion							
0100 Job 1	$ 1,000,000	$ 200,000	$ 700,000	$ 900,000	$ 100,000	10.00%	22.22%
Multiple Performance Obligations							
0100 Job 1							
Job1 - Performance obligation A	750,000	190,000	500,000	690,000	60,000	8.00%	27.54%
Job1 - Performance obligation B	250,000	10,000	200,000	210,000	40,000	16.00%	4.76%
Job 1 Total	1,000,000	200,000	700,000	900,000	100,000	10.00%	
Stored Materials in Inventory and Unamortized Fulfillment Costs							
$50k in stored materials in CONTRACTOR's control							
$10k of unamortized fulfillment cost							
0100 Job 1	1,000,000	140,000	760,000	900,000	100,000	10.00%	15.56%
Uninstalled Materials in Owner Control and Unamortized Fulfillment Costs							
$50k in uninstalled materials in OWNER's control							
$10k of unamortized fulfillment cost							
0100 Job 1	950,000	140,000	710,000	850,000			16.47%
Job1 - Uninstalled Materials	50,000	50,000	-	50,000			100.00%
Job 1 Total	1,000,000	190,000	710,000	900,000	100,000	10.00%	21.11%
Waste and Inefficiencies							
0100 Job 1	1,000,000	190,000	700,000	890,000	110,000	11.00%	21.35%
Job1 - Waste and inefficiencies	-	10,000	-	10,000	(10,000)	(1.00%)	100.00%
Job 1 Total	1,000,000	200,000	700,000	900,000	100,000	10.00%	
Total for contracts in process	**$ 5,000,000**	**$ 930,000**	**$ 3,570,000**	**$ 4,500,000**	**$ 500,000**	**10.00%**	

		Current Contract Total	Costs to Date	Estimated Costs to Complete	Total Estimated Costs	Estimated Final Gross Profit (Loss)	Estimated Gross Profit (Loss)%	Percent Complete
Completed Contracts								
0200	Job 2	500,000	450,000	-	450,000	50,000	10.00%	100.00%
0300	Job 3	750,000	650,000	-	650,000	100,000	13.33%	100.00%
0400	Job 4	1,000,000	850,000	-	850,000	150,000	15.00%	100.00%
	Misc Jobs	250,000	225,000	-	225,000	25,000	10.00%	100.00%
	Total for completed contracts	**2,500,000**	**2,175,000**	**-**	**2,175,000**	**325,000**	**13.00%**	
-	**Total**	**$ 7,500,000**	**$ 3,105,000**	**$ 3,570,000**	**$ 6,675,000**	**$ 825,000**	**11.00%**	-

XYZ CONSTRUCTION CORP. (An S Corporation)
SCHEDULES OF CONTRACTS IN PROCESS AND COMPLETED CONTRACTS
Contracts to Date as of December 31, 2019

	Revenues Earned	Costs to Date	Gross Profit (Loss)	Progress Billings to Date	Other Contract Assets (Retainage or unbilled recv if applicable)	Estimated Earnings in Excess of Billings	Excess of Cost and Estimated Earnings	Net Contract Asset (Liability) (If have other contract assets)
Contracts in Process								
Percentage of Completion								
0100 Job 1	$ 222,222	$ 200,000	$ 22,222	$ 250,000	$ 10,000	$ -	$ 27,778	$ (17,778)
Multiple Performance Obligations								
0100 Job 1								
Job1 - Performance obligation A	206,522	190,000	16,522					
Job1 - Performance obligation B	11,905	10,000	1,905					
Job 1 Total	218,427	200,000	18,427	250,000	10,000	-	31,573	(21,573)
Stored Materials in Inventory and Unamortized Fulfillment costs								
$50k in stored materials in CONTRACTOR's control								
$10k of unamortized fulfillment cost								
0100 Job 1	155,556	140,000	15,556	250,000	-	-	94,444	(94,444)
Uninstalled Materials in Owner Control and Unamortized Fulfillment costs								
$50k in uninstalled materials in OWNER's control								
$10k of unamortized fulfillment cost								
0100 Job 1	56,471	140,000	16,471					
Job1 - Uninstalled Materials	50,000	50,000	-					
Job 1 Total	206,471	190,000	16,471	250,000	-	-	43,529	(43,529)

		Revenues Earned	Costs to Date	Gross Profit (Loss)	Progress Billings to Date	(Retainage or unbilled recv if applicable) Other Contract Assets	Estimated Earnings in Excess of Billings	Excess of Cost & Estimated Earnings	(If have other contract assets) Net Contract Asset (Liability)
Waste and Inefficiencies									
0100	Job 1	213,483	190,000	23,483	250,000				
	Job1 - Waste and inefficiencies	-	10,000	(10,000)	-				
	Job 1 Total	213,483	200,000	13,483	250,000	-	-	36,517	(36,517)
	Total for contracts in process	1,016,159	930,000	86,159	1,250,000	20,000	-	233,841	(213,841)
Completed Contracts									
0200	Job 2	500,000	450,000	50,000	500,000	-	-	-	-
0300	Job 3	750,000	650,000	100,000	750,000	-	-	-	-
0400	Job 4	1,000,000	850,000	150,000	1,000,000	-	-	-	-
	Misc Jobs	250,000	225,000	25,000	250,000	-	-	-	-
	Total for completed contracts	2,500,000	2,175,000	325,000	2,500,000	-	-	-	-
	Total	**$3,516,159**	**$ 3,105,000**	**$ 411,159**	**$ 3,750,000**	**$ 20,000**	**$ -**	**$ 233,841**	**$ (213,841)**

XYZ CONSTRUCTION CORP. (An S Corporation)

SCHEDULES OF CONTRACTS IN PROCESS AND COMPLETED CONTRACTS

For the Year Ended December 31, 2019

	-	-				
	OPTIONAL PRESENTATION					
Contracts in Process	**Stored Materials**	**Unamortized Contract Cost Assets**	**Gross Revenues Earned**	**Cost of Revenue**	**Profit (Loss)**	**Gross Profit (Loss) %**
Percentage of Completion						
0100 Job 1	$ -	$ -	$ 222,222	$ 200,000	$ 22,222	10.00%
Multiple Performance Obligations						
0100 Job 1						
Job1 - Performance obligation A	-	-	206,522	190,000	16,522	8.00%
Job1 - Performance obligation B	-	-	11,905	10,000	1,905	16.00%
Job 1 Total	-	-	218,427	200,000	18,427	8.44%
Stored Materials in Inventory and Unamortized Fulfillment costs						
$50k in stored materials in CONTRACTOR's control						
$10k of unamortized fulfillment cost						
0100 Job 1	50,000	10,000	155,556	140,000	15,556	10.00%
Uninstalled Materials in Owner Control and Unamortized Fulfillment costs						
$50k in uninstalled materials in OWNER's control						
$10k of unamortized fulfillment cost						
0100 Job 1			156,471	140,000	16,471	
Job1 - Uninstalled Materials			50,000	50,000	-	
Job 1 Total	-	10,000	206,471	190,000	16,471	7.98%

		Stored Materials	Unamortized Contract Cost Assets	Gross Revenues Earned	Cost of Revenue	Profit (Loss)	Gross Profit (Loss) %
Waste and Inefficiencies							
0100	**Job 1**			213,483	190,000	23,483	
	Job1 - Waste and inefficiencies			-	10,000	(10,000)	
	Job 1 Total	-	-	213,483	200,000	13,483	6.32%
	Total for contracts in process	**50,000**	**20,000**	**1,016,159**	**930,000**	**86,159**	**8.48%**
Completed Contracts							
0200	Job 2	-	-	400,000	350,000	50,000	12.50%
0300	Job 3	-	-	600,000	550,000	50,000	8.33%
0400	Job 4	-	-	200,000	175,000	25,000	12.50%
	Misc Jobs	-	-	250,000	225,000	25,000	10.00%
	Total for completed contracts	**-**	**-**	**1,450,000**	**1,300,000**	**150,000**	**10.34%**
	Total	**$ 50,000**	**$ 20,000**	**$ 2,466,159**	**$ 2,230,000**	**$ 236,159**	**9.58%**

Special Thanks to our Thought Leaders:

Christina Chifici, CPA, CGMA, CIT, CCIFP
LaPorte
cchifici@laporte.com
(504) 835-5522

Carlin Culbertson
Meaden & Moore, Ltd.
cculbertson@meadenmoore.com
(216) 214-3272

Eric Scholtes, CPA
Iannuzzi Manetta
escholtes@imc-cpa.com
(248) 641-0005

Benjamin Sumner, CPA
bsumner@dmcpas.com
Ken Gardiner, CPA, CCIFP, CDA
Dannible & McKee LLP
kgardiner@dmcpas.com
(315) 472-9127

Premier Sponsor:

For 35 years, Foundation Software - creators of FOUNDATION®, America's #1 construction accounting software - has been a trusted name for both contractors and construction-focused CPAs. Part of that trust comes from our philosophy to always strive for improvement. We never outsource sales or support and all development happens in-house, allowing us to deliver the best-of-breed products and services to our 5,000+ clients across the nation.

Supporter Sponsor:

A payroll service just for construction, Payroll4Construc on.com can handle all the complexities of the construction industry, like multi-state, multi-rate pay on a single timecard. With the mobile timecard app, employees can clock-in and clock-out, supervisors can approve hours, and data can be synced right to the service, eliminating the need to enter information twice.