TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE
BOARD FOR LICENSING CONTRACTORS
500 JAMES ROBERTSON PKWY., NASHVILLE, TENNESSEE 37243-1150
Contact: (615) 532-3994 or (800) 544-7693 or Fax – (615) 532-2868
Website: http://www.tn.gov/regboards/contractors/
Email: Kimmothy.L.Jackson@tn.gov
Deadline Date: Last day of the month prior to board meeting (see "Public Meetings Calendar" on website)

REVISION REQUEST

MONETARY LIMIT INCREASE

(*Experience list is required!)

NO FEE (See page four (4) for further instructions and check list)

In accordance with Contractor's Rule 0680-1-.14, a licensee may request the Board to consider revision of their monetary limitation at any of the regular Board meetings; increases cannot be granted in-office. All requests require a current **REVIEWED** or **AUDITED** financial statement, prepared by an actively licensed **CPA** or **LPA** on **GAAP** basis, with experience sheet or resume. Financial statements defined as current are less than one (1) year; cannot be prepared on ***income tax* basis** or ***compiled;*** *these* are **UNACCEPTABLE**.

> **All increase request of $1,500,000 OR LESS, require a REVIEWED financial statement, prepared by a CPA or LPA,** ***(Example: Going from $200,000 to $500,000; or from $750,000 to $1,500,000, etc.) plus * experience.***
> ***(FYI - Renewal of license does not require a "Reviewed" financial statement; only increase requests.)***
>
> **For increases, which will take the limit GREATER THAN $1,500,000, require an AUDITED financial statement prepared by a CPA or PA.** ***(Example: $1,500,000 to $2,500,000 or $800,000 to Unlimited.) Must show at least $300,000 in working capital and net worth for "Unlimited" license, plus *experience.***
> ***(FYI – Renewal of license requires a "Reviewed" and does not require an "Audited" financial statement; only increase requests.)***

MONETARY LIMIT IS BASED 10 TIMES THE LESSER OF BOTH WORKING CAPITAL AND NET WORTH. WORKING CAPITAL IS "CURRENT ASSETS, MINUS CURRENT LIABILITIES"; NET WORTH IS "TOTAL ASSETS, MINUS TOTAL LIABILITIES".

At the Board's discretion, a **"Line of Credit"** on our format (attached) by an FDIC approved bank, savings and loan, may be used to increase the working capital. **Personal financial statements with the **"Guaranty Agreement"** may be used to increase the net worth and working capital at 50%. **Cash only statements require** supplemental/personal financials with a Guaranty Agreement. **(Note: Supplemental personal financial statements, submitted in addition to the review or audit, are not required to be prepared by a CPA/PA.) http://www.tn.gov/commerce/boards/contractors/documents/BLC-FinancialResources.pdf

A request for increase must be received in the Board office by the ***last day of the month*** before the month in which the Board meets. The Board is scheduled to meet January, March, May, July, September and November. For example, request must be received by August 31st to be reviewed at the September meeting. *(Note: The contractor is not required to be at the meeting*!)

Hardship /Emergency Requests - In order for a request to be granted prior to the meeting, the "owner" of the project must submit a hardship request in writing for the contractor, stating the hardship, bid date, details of the project and why they need this contractor to bid (see hardship request form on the website). Application must be complete and contractors cannot bid until increase is confirmed! (Violation of the law will void hardship request.) Hardship request form with special instructions may be downloaded from the website.

All licensees must be current and valid in order to be reviewed by the Board. New licensees (licensed less than one year) cannot be granted an increase, without special permission and a detailed explanation. Should an increase be requested at renewal time, please mail separately. Note: Upon approval, a license certificate will be issued for the renewal and another certificate will be issued when the increase is granted. The Board sets the monetary limit based on experience of projects for the amount requested (you may list personnel's experience from other companies). Status may be checked at the "License Search" link from our website at: or directly at: http://verify.tn.gov/ after the board meeting.

NOTE: T.C.A. §62-6-120, prohibits a contractor from offering to engage above their limit, prior to limit increase approval. Revisions are approved by the Board, only; the staff cannot approve these requests. Make sure you have your approval in writing before bidding!!!

For further assistance, please contact the Revision Section at (615) 532-3994 or 1-800-544-7693. Register to receive email updates in the law and rules at : http://regbdlist.tennessee.gov/ and to receive email of changes at: http://www.tn.gov/notify-app/sign_up.html?agencyId=3

(IN-1321) Rev 5/2014

No Fee Required

BOARD FOR LICENSING CONTRACTORS
500 JAMES ROBERTSON PKWY. NASHVILLE, TN 37243-1150
TELEPHONE: (615) 532-3994 or 800-544-7693 or FAX: (615) 532-2868
Website: http://www.tn.gov/regboards/contractors/ Email: Kimmothy.L.Jackson@tn.gov

INCREASE REQUEST

LICENSE ID #000_____ **License Expiration Date:** _____

LICENSED ENTITY NAME:_____

ADDRESS:_____
(Address Change ____ No ____Yes – Address above is new address)

TELEPHONE: (____) _____ - _____ **Fax** (_____) _____-_____ **EMAIL**:_____

MODE OF OPERATION AS LICENSED: **[ ]** Sole Proprietor **[ ]** Corporation **[ ]** Partnership **[ ]** LLC (Limited Liability Co.)

CLASSIFICATION(S):_____ **CURRENT MONETARY LIMIT:** _____
(Note: Maximum for Small Commercial (BC-b(sm) is $750,000; BC-B exam required)

REQUESTING BOARD REVIEW TO INCREASE MONETARY LIMIT TO:

*This is to confirm, this licensed entity ____ ***HAS or** ____**HAS NOT** bid or performed work in which not properly licensed or in excess of current monetary limit. (*If you checked **"HAS,"** please attach an explanation for violation of T.C.A. § 62-6-120)*

X_____ _____ _____
SIGNATURE ***PRINT OWNER/OFFICER'S NAME*** ***DATE***

SUPPLY THE FOLLOWING AS *ATTACHMENTS:
__ **GENERAL LIABILITY INSURANCE (See Page 11)**
__ **FINANCIAL STATEMENT PREPARED BY CPA (Page 5-10)**
__ **EXPERIENCE (Page 3)**

(*If not attached, incomplete and cannot be presented to the Board for review)

(CONTINUE ➔)

- FOR OFFICE USE ONLY-

Current Monetary Limit: $_____ Financially Qualifies for Limit:
Received: [ ] Review [ ] Audit Date of Financial Statement: _____
Financial(s) Submitted: __Business __Personal __ Corporate __Parent
Guaranty Agreement: __Attached __Not Needed __LOC __Bond
Other:

COMPANY W/C		**COMPANY N/W**	
PERSONAL W/C		**PERSONAL N/W**	
50% PERS. W/C		**50% PERS. N/W**	
LINE OF CREDIT			
TOTAL W/C:		**TOTAL N/W:**	

Auditor Notes: **Auditor Approved:**

Ack Ltr: ____ ■ Need: __F/S __AFF __INS __SOS ■ __ New Owner/Entity __Other_____ ■ __Add Ltr. _____ ■ Staff_____

____*Approved-$*_____ ***X***_____ _____ Issued:_____
Board Member **Date**

____Approved upon receipt of: _____

____Denied *(hold for full Board vote)* -_____

IN-1321 (Rev 5//14)

TENNESSEE BOARD FOR LICENSING CONTRACTORS
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TN 37243-1150
TELEPHONE: (615) 532-3994 / (615) 800-544-7693 / FAX: (615) 532-2868
Website: http://www.tn.gov/regboards/contractors/
Email: Kimmothy.L.Jackson@tn.gov

EXPERIENCE SHEET **LICENSE ID#: 000**_____

1. Date:_____ Job Name_____ Spec/ Contract Amount$_____

Type of Work:_____

Location of Job:_____

Name of Customer/Owner:_____ Date Completed:_____
Month / Year

Name of Company Performing Work:_____

Comments:_____

2. Date:_____ Job Name_____ Spec/ Contract Amount$_____

Type of Work:_____

Location of Job:_____

Name of Customer/Owner:_____ Date Completed:_____
Month / Year

Name of Company Performing Work:_____

Comments:_____

3. Date:_____ Job Name_____ Spec/ Contract Amount$_____

Type of Work:_____

Location of Job:_____

Name of Customer/Owner:_____ Date Completed:_____
Month / Year

Name of Company Performing Work:_____

Comments:_____

4. Date:_____ Job Name_____ Spec/ Contract Amount$_____

Type of Work:_____

Location of Job:_____

Name of Customer/Owner:_____ Date Completed:_____
Month / Year

Name of Company Performing Work:_____

Comments:_____

5. Date:_____ Job Name_____ Spec/ Contract Amount$_____

Type of Work:_____

Location of Job:_____

Name of Customer/Owner:_____ Date Completed:_____
Month / Year

Name of Company Performing Work:_____

Comments:_____

(Note: Comments may include or describe working as a subcontractor, joint venture, employed with licensed contractor, etc.)

INSTRUCTIONS/CHECK-LIST

_____ 1. Increase Request Form - Complete the form and sign (page 2); no fee is required.
Due by the last day of the month, prior to the Board meeting (see "Public Meeting Calendar" for dates).

_____ 2. Experience - Attach a list of experience (may use page 3).
(If you have not listed experience where you've utilized your current limit, and do not have experience working as a subcontractor or joint venture with another licensed contractor on projects for the larger limit requested, or do not have personnel with such experience, you will need to supply an explanation of why you need an increase without having sufficient experience, such as, opportunity to bid coming up, etc.)

_____ 3. General Liability Insurance - Attach proof to show it covers increased limit (see page 11).

_____ 4. Financial Statement(s) Attached – Must be prepared by a CPA/PA with a **"Reviewed" or "Audited"** opinion. *See pages 5 – 10 for additional financial statement information. Include the following(if required) to prevent delay in processing for Board review:*

- _____ - *Supplemental Personal /Parent Financial Statement*
- _____ - *Guaranty Agreement (required with all supplemental statements)*
- _____ - *Line of Credit (Page 9)- to increase working capital, if needed*
- _____ - *Proof of Life Insurance Value (If listed on supplemental financial statement)*
- _____ - *Uncollected accounts receivable as the majority of working capital may not be counted at full value, unless an update is provided.*
- _____ - *Cash only statements require Guaranty Agreement*
- _____ - *A Bond may be supplied in lieu of a Guaranty Agreement*

Guaranty Agreement; Line of Credit and Bond forms at: http://www.tn.gov/commerce/boards/contractors/documents/BLC-FinancialResources.pdf

Check with your CPA to make sure you have enough working capital and net worth for the increase you are requesting, and that all the financial requirements have been met.

(Example: A minimum of $50,000 for the lesser of both working capital and net worth is needed for an increase to $500,000; a *minimum of $300,000 in both working capital and net worth is required for "Unlimited" plus experience. Review the financial information to be sure you included any required personal financial statements with a Guaranty Agreement; proof of value of life insurance, etc.)*

_____ 5. Emergency Issuance – See "Hardship" criteria and instructions from the website to have a revision reviewed prior to the next Board meeting. Hardship must be to the owner/customer, not the contractor. Details must include the bid date, reason of hardship, details of the project, etc., Law violations will void any hardship request or approval.

_____ 6. Do not mail the revision request with renewal; submit separately! Doing so may delay the process since it must be received by the "Revision Section". If requesting an increase at renewal time, you will receive two (2) license certificates; one for the renewal transaction and one for the revision. Keep a copy of the revision request for your records.

_____ 9. If you checked "HAS" bid on page 2 and in violation of T.C.A. § 62-6-120 *(offering to engage without proper license)*, please submit an explanation. If you were issued a citation or consent order please disclose; attach proof of where the civil penalty has been paid. Depending on the time, complaint history and circumstances, the increase may be denied or held up to six (6) months.

_____ 10. Mail to: **Contractor's Board, 500 James Robertson Parkway, Nashville, TN 37243-1150**
(Must be received (not postmarked) by the last day of the month to ensure reviewed at the next scheduled Board meeting. Allow 5 to 7 business days for mail receipt. (Example: Received on August 31st, will be reviewed at the September meeting.

Process

Upon receipt of your license revision request, you will be sent an acknowledgment letter confirming receipt. If additional information is needed to complete your request after an audit is made, a letter will be sent to you with a date the information is needed by in order to make the meeting. Personal interviews are not required for revisions. Staff will only provide the Board with requests which are complete and do not lack any information required*; and those* received by the deadline date. Those received after the deadline date will be presented if time allows, or at the next scheduled board meeting. See the "Calendar" from our website for meeting dates. Once approved, staff will issue a revised license to be mailed. You may check status from the "License Search" at: http://verify.tn.gov/

The Board is charged with the responsibility to protect the public's safety and welfare with regulating the licensing of contractors. Therefore, the information we've requested, which is in accordance with the statue, will provide them assistance in making a conscientious decision to grant your license revision request in a timely manner. We encourage you to keep abreast of law changes. More information relative to the license law, rules and regulations are available on our website. Be sure to register to receive email notifications of changes at: http://www.tn.gov/notify-app/sign_up.html?agencyId=3

WORKSHEET FOR DETERMINING MONETARY LIMIT

(Attach to CPA's Reviewed or Audited Financial Statement)

FINANCIAL STATEMENT OF:_____**DATE**_____

(Must be in the exact name as to be licensed) *(Less than 12 months)*

____AUDITED ____REVIEWED ____ LICENSED CPA ____LICENSED PA

____SOLE PROP ____PARTNERSHIP ____LLC ____CORPORATION

____ *CASH STATEMENT WITHOUT FIXED ASSETS (Requires Indemnity and/or Supplemental Financial Statement)

CURRENT ASSETS _____ TOTAL ASSETS_____

CURRENT LIABILITIES_____ TOTAL LIABILITIES_____

WORKING CAPITAL_____ **NET WORTH**_____

***SUPPLEMENTAL FINANCIAL STATEMENT(S)** ☐ Not Applicable ☐ Yes - Guaranty Agreement must be attached

1. Company/Personal Financial Statement of_____Date_____

Current Assets_____ Total Assets_____

Current Liabilities_____ Total Liabilities_____

Working Capital_____ Net Worth_____

50% of W/C_____ **50% of N/W**_____

2. Company/Personal Financial Statement of_____Date_____

Current Assets_____ Total Assets_____

Current Liabilities_____ Total Liabilities_____

Working Capital_____ Net Worth_____

50% of W/C_____ 50% of N/W_____

3. Line of Credit in the amount of $_____ Bank:_____

TOTALS:

COMBINED WORKING CAPITAL $_____**COMBINED NET WORTH $**_____

CURRENT MONETARY LIMIT: $_____ **(General Liability Insurance must be sufficient)**

*Should the contractor's financial statement and experience fail to qualify for the monetary limit requested, the contractor may agree to lower limit (must respond in writing).

MONETARY LIMITS ARE BASED ON TEN (10) TIMES THE LESSER OF YOUR COMBINED WORKING CAPITAL and NET WORTH:

- SUPPLEMENTAL FINANCIAL STATEMENTS MAY BE USED TO INCREASE NET WORTH AND WORKING CAPITAL AT 50%
- LINE OF CREDIT MAY BE CONSIDERED TO SUPLEMENT WORKING CAPITAL (50% if negative working capital)
- GUARANTY AGREEMENT MUST BE SIGNED AND NOTARIZED, BY ALL PARTIES LISTED ON THE SUPPLEMENTAL PERSONAL FINANCIAL STATEMENT (such as Spouse); PARENT COMPANY MUST BE SIGNED BY AUTHORIZED OFFICER
- **CASH ONLY** STATEMENTS, WITHOUT FIXED ASSETS, REQUIRE AN INDEMNITY (See Rule 0680-01-.13)

Note: "Line of Credit"; "Guaranty Agreement"; and "Contractor's License Bond" formats may be downloaded from the Board's website at: http://www.tn.gov/commerce/boards/contractors/forms.shtml

ATTACH FINANCIAL STATEMENT PREPARED BY CPA
(SUPPLEMENTAL INFORMATION FOR FINANCIAL STATEMENTS)

NOTE TO CPA/PA: Please advise your client of their working capital, net worth and monetary limit, and let them know our in-house auditor will review prior to the Board meeting.

ALL **applicants MUST have either a REVIEWED or AUDITED financial statement prepared by a CPA or Licensed PA, in accordance with T.C.A. § 62-6-111.**

COMPILED AND STATEMENTS PREPARED ON INCOME TAX BASIS ARE NOT ACCEPTABLE!

- Licenses are issued in the ***EXACT*** name as appears on the financial statement. Be sure the name on the financial statement for your revision and the name throughout your application are the **EXACT** same as on your license.
- Request for monetary limits **EQUAL TO or LESS THAN $1,500,000.00** require a **REVIEWED** or **AUDITED** financial statement.
- Request for monetary limits **GREATER than $1,500,000.00** requires an **AUDITED** financial statement.
- **ALL** financial statements **MUST** be prepared by a **CPA or PA**. Their license must be current and in good standing in the State where their business is located, and must be equivocal to Tennessee. You may check with the Accountancy Board for accounting license requirements at: http://www.tn.gov/commerce/boards/tnsba/index.shtml
- **ALL** financial statements **MUST** include the following:

1) CPA Signed opinion letter. This will provide the opinion on the licensee or applicant exactly as the license will be issued.
2) Balance sheet. The balance sheet must list the assets (separated into current and long term); and the liabilities (separated into current and long term) based on the Generally Accepted Accounting Principals (GAAP).
3) Notes to the financial statement. This is requested to explain to the Board how the figures were determined.
4) Audited statements must include the profit and loss statement and cash flow statement.

Note: The Board considers retirement plans, profit sharing plans, IRA's, 401-K's, etc., at **50%** of their value to allow for tax liability.

FINANCIAL STATEMENTS MUST BE PREPARED ON YOUR CPA'S OWN FORMAT. Financial statements MUST be current (current is no older than twelve (12) months). In addition to a **Reviewed** or **Audited** financial statement, the Board **may** require a **personal financial statement** if you submit cash only, statement, without fixed assets. The supplemental personal financial statement does not have to be prepared by a CPA or PA and may be prepared by yourself; or you may submit a compiled from the accountant.

Example of Monetary Limit Calculation

This example contains a summary balance sheet for illustrative purposes; a summary balance sheet is not acceptable for complying with the boards requirements.

A. Example: Contractor's Financial Statement

XYZ Contractor Company (name must be exactly as licensed)
Balance Sheet
MM/DD/YYYY

Assets	
Current Assets	$14,000
Non-Current Assets	20,000
Total Assets	34,000
Liabilities	
Current Liabilities	16,000
Long-Term Liabilities	10,000
Total Liabilities	26,000
Equity (Net Worth)	8,000
Total Liabilities and Equity	34,000

Working Capital = $14,000 – 16,000 = **(2,000)** *(Parenthesis around number denotes a negative value)*
Net Worth = $34,000 – 26,000 = **8,000**

B. Example: Supplemental Financial Statement to support monetary limit
(**Guaranty Agreement** must be properly completed).

John and Jane Doe
400 Bay St., Knoxville, TN 37111
10/31/2012

Assets	
Current Assets	$4,000
Non-Current Assets	220,000
Total Assets	224,000
Liabilities	
Current Liabilities	13,000
Long-Term Liabilities	140,000
Total Liabilities	153,000
Equity (Net Worth)	79,000
Total Liabilities and Equity	224,000

Working Capital = $4,000 – 13,000 = **(9,000)** *(Parenthesis around number denotes a negative value)*
Net Worth = $224,000 – 153,000 = **79,000**

- The working capital is taken at full value and the net worth is accepted at 50%, both are added to overall values.

- The Contractor also submitted a properly completed "Line of Credit" (LOC) from a Bank for **$100,000**.
  - This LOC is reduced by 50% due to a negative contractor's working capital (see Rule 0680-1.13).

- Total Working Capital = **(2,000) + (9,000) + 50,000** (50% of Line of Credit) = **$39,000**

- Total Net Worth= **$8,000 + 39,500** (50% of Personal Financial statement) = **$47,500**

- These values support a maximum " Monetary Limit" of **$390,000** (10 times lesser of W/C and N/W)

Contact a Certified Public Accountant (CPA) or a Licensed Public Accountant (PA) actively licensed in the state where your business operates. In Tennessee, you may check with the "Tennessee Board of Accountancy" at http://tennessee.gov/commerce/boards/tnsba/. Out of state contractors may use their CPA licensed in their state if they are considered equivocal.

In order to obtain an increase in license monetary limit, a CPA/PA must prepare a financial statement within the following guidelines:

- ***"Reviewed"*** *opinion (required for a monetary limit of* ***$1,500,000 or less****); or*
- ***"Audited"*** *opinion (required for a monetary limit* ***exceeding $1,500,000****); based on "Generally Accepted Accounting Principles" (GAAP);*
- *Contractor licenses are issued according to the* ***NAME*** *appearing on the* ***financial statement****; therefore, the statement must be in the name exactly as licensed.*
- *Compiled financial statements are* ***NOT*** *acceptable, except for supplemental personal statements.*
- *Financial statements prepared on an income tax basis are* ***NOT*** *acceptable*
- *Contractors with financial statements showing "Cash" only instead of an operating business statement, must submit, in addition to the reviewed/audited financial statement, a personal or supplemental financial statement, with a guaranty agreement (spouses must also sign Guaranty). Supplemental personal statements submitted in addition to the CPA/PA prepared statements, are not required to be prepared by a CPA.*
- *Limited Liability Company (LLC) may be required to submit personal financial statements and a Guaranty Agreement, unless it is on file from first obtaining a license.*

Monetary Limit Determination
The monetary limit is the total dollar amount per each individual contract or project. A contractor cannot split a contract into phases to work within their limit, however, a 10% tolerance is allowed (except for BC-A/r). A contractor with a monetary limit of $150,000 may contract up to $165,000 without being in violation. In addition, there is no limit of the number of projects a contractor may perform.

Example: Monetary limits are based on the maximum of "10 times the lesser" of both working capital and net worth, plus experience listed as working on these size projects (may be while working for other contractors, spec homes or subcontracts, etc.). A license limit of $150,000 must show working capital and net worth of at least $15,000. Since the limit is based on the lesser of the two, a contractor with a working capital of $10,000 and net worth of $200,000 would qualify for $100,000, if experienced on these size jobs. The contractor in this example may supplement a "Line of Credit" in the amount of $5,000 to increase working capital or submit a personal financial statement with Guaranty.

Unlimited License Limit
To obtain an unlimited license, the contractor must show in excess of $300,000 in working capital and net worth, experience, and an "Audited" financial statement.

Working Capital and Net Worth
Please ask your CPA/PA to determine the amount of your working capital and net worth. Working capital is "current assets minus current liabilities". Net worth is "total assets minus total liabilities". Monetary limit is based on the lesser of both net worth and working capital, and experience.

Financial statement- A balance sheet listing all of the assets and liabilities of the entity holding the license:

- The balance sheet should not contain personal assets or liabilities
- A classified balance sheet is preferred over an unclassified balance sheet (classified-separates assets and liabilities into current and non-current (long-term)
- The financial statement must be in **exactly the same name as licensed**
- The balance sheet should contain a full date, including the month, day, and year

CURRENT ASSETS are cash and those assets that are reasonably expected to be realized in cash or sold or consumed within one year or within a business's normal operating cycle if it is longer. Generally, current assets include the following:

- Cash and cash equivalents available for current operations
- Marketable securities representing the investment of cash available for current operations, including investments in debt and equity securities classified as trading securities.
- Underbillings on work in progress
- Inventories (to include materials and/or houses built for sale). Also, developed lots for sale. Raw, undeveloped land is not a current asset.
- Retirement Plans, specifically an IRA, 401K and Profit Sharing, will be allowed at 50%
- Cash surrender value of life insurance policies (proof required if impacts working capital 50%)
- Trade accounts receivable, notes and other receivables that are expected to be collected within one year
- Prepaid expenses such as insurance, interest, rents, taxes, etc.
- Accounts receivables, when used as the majority of the working capital, will not be given full value, unless, supplying an update of ones collected since preparation of the financial statement.

The following are not current assets since they generally are not expected to be converted into cash within one year:

- Cash restricted for special purposes (Restricted cash may be classified as a current asset if it is considered to offset maturing debt that has been properly classified as a current liability)
- Long term investments
- Receivables not expected to be collected within one year
- Land and other natural resources
- Depreciable assets (buildings, equipment, tools, etc.)
- Prepayments/deferred charges that will not be charged to operations within one year
- Notes receivables from stockholders or owners (related parties)

CURRENT LIABILITIES are obligations whose liquidation is reasonably expected to require (a) the use of current assets or (b) the creation of the other current liabilities. Generally, current liabilities include the following:

- Payables for materials and supplies
- Amounts collected before goods or services are delivered (overbillings on jobs in progress)
- Accruals for wages, salaries, commissions, rents, royalties, and taxes
- Other obligations, including portions of long-term obligations, that are expected to be liquidated within one year*

Current liabilities do not include long term notes, bonds, and obligations that will not be paid out of current assets.

All financial statements submitted should separate current portion of long term debt according to standard accounting principals.

Guaranty Agreement http://www.tn.gov/regboards/contractors/documents/BLC-GuarantyAgreementPolicy.pdf

A "Guaranty Agreement" (see sample format in this application) with personal or parent company financial statement may be needed for the following:

- Contractors submitting "**cash"** only financial statements without fixed assets, plant and equipment, will be required to submit a Guaranty with their personal financial statement or authorized officer if parent company's statement is submitted for a subsidiary;
- Contractors needing to supplement their working capital and/or net worth for their monetary limit, may use personal statement at 50% value with Guaranty;
- Contractors when their company/subsidiary is owned by another entity/parent; must submit a Guaranty from the parent.
- Subsidiary contractors, which are without a reviewed or audited financial statement, may submit a request for the board to accept an in-house financial statement in the name to be licensed, with their parent company's audited or reviewed statement and a signed "Guaranty Agreement";
- Business entity guarantors sign on "Corporate" section; others sign as "Personal" guarantor;
- Financial statements are confidential and not a matter of public record;
- In lieu of the Guaranty Agreement, a bond in the Board's format may be accepted. (See the website for a format of bond)

Note: The Guaranty Agreement is valid until renewal (no more than two years). It is considered as part of the financial statement and not a matter for public record. Please consult an attorney when providing a personal guaranty and should only be as a last resort.
http://www.tn.gov/regboards/contractors/documents/BLC-GuarantyAgreementPolicy.pdf

Line of Credit

A Line of Credit (LOC), in the Board's exact format, in the exact name as financial statement, may be considered to supplement working capital, only (will not increase net worth). The LOC must come from a FDIC approved bank, savings and loan institution. If working capital is negative, the Board may consider no more than 50% percent of LOC with guaranty agreement financials. The Board will not issue a license based on the sole value of a LOC and must accompany their entity's independent CPA's prepared audit or reviewed financial statement.

Financial Information

Notice: Financial statements are considered confidential and not public information, unless requested by subpoena with protective order.

The next pages, "Line of Credit" and the "Guaranty Agreement" may be used to supplement your financial statement. Do not include without first checking with your CPA or Attorney!

See information regarding indemnities in "Financial Resources" online for
Bonds and Guaranty Agreements

Optional – May use to supplement working capital

LINE OF CREDIT

TO BE WRITTEN ON BANK, SAVINGS & LOAN LETTERHEAD
(May be used if WORKING CAPITAL does not support monetary limit requested)

DATE

TO: ***CONTRACTOR LICENSEE NAME (Individual, Corporation, Partnership or LLC)***
Address
City, State and Zip

Dear Contractor:

You have requested of *(Name of Bank, Savings and Loan FDIC Institution)* to establish a line of credit which will be available to *(Contractor's Name as to be on License)* for use in conducting the contracting business for which a license is being sought from the State of Tennessee Board for Licensing Contractors.

We hereby establish a line of credit for these purposes in the amount of $_____ which will be maintained for a period of one year from the date of license issuance, subject to no adverse change in your financial condition.

As a condition of this arrangement, it is our understanding you will inform us and the Board for Licensing Contractors of any significant change(s) in your financial condition during the term of this commitment.

We the undersigned will endeavor to notify the Board for Licensing Contractors should we become aware of any significant change(s) in financial conditions of the above named applicant.

The undersigned hereby agrees to notify the Board for Licensing Contractors should we withdraw and/or eliminate the above named applicant's credit line.

By _____
Name **Title**

SAMPLE LETTER -- FOR BANK USE ONLY

Contractor & Bank Instructions

- To increase the working capital, a contractor may take this **SAMPLE** form to their bank; does not increase the net worth
- If a contractor's working capital is negative, only 50% of the Line of Credit (LOC) value is applied
- The LOC is for the contractor's use and may be utilized at any time by the contractor
- This format's exact wording must be used in order for the Board to consider accepting; any deviation will delay process
- Original LOC document must be submitted; copies are not acceptable
- Name on LOC must be in the **EXACT NAME** as on the license and financial statement
- Lending institution must be a bank, savings and loan which is FDIC approved
- Website is at: www.tn.gov/commerce/boards/contractors or you may contact the Board Office at: Contractors.Home-Improvement@tn.gov to obtain the LOC in non-pdf format or Word document

ATTACH CERTIFICATE OF INSURANCE
FOR
GENERAL LIABILITY INSURANCE

Since the amount of coverage is based upon the licensed monetary limit, some contractors may need to increase their amount.

In order to comply with the new legislation, the Board has established the following as a "minimum" amount of coverage to obtain and a rulemaking will be held to discuss these amounts. Please check with your insurance provider, as they may advise to apply for more or additional coverage, based upon your individual needs, type of construction you perform and the amount of projects.

Contractor's License Monetary Limit	Minimum General Liability Insurance
Up to $500,000	$100,000
$500,001 to $1,500,000	$500,000
$1,500,001 to Unlimited	$1,000,000

Note: Many insurance companies may only offer a minimum of $300,000 in lieu of $100,000.

Requirements for Proof of Insurance
The Board requests a **certificate of insurance** (available from your insurance agency) which lists a **policy number** (not binder or account number), a **beginning and expiration date**, and **limits** of the insurance. The **name on the license** must match the **name in the insured box. The Board should be listed as the certificate holder.**

Limits required to be listed on Certificate of insurance:

- Each occurrence (this value must comply with minimum requirements listed above)
- Damage to Rented Premises (each occurrence)
- Medical Expense (any one person)
- Personal & Adv Injury
- General Aggregate
- Products- comp/op agg

FYI - A new workers' compensation certificate of insurance is not needed for increasing the monetary limit on the license, however, contractors should maintain coverage as required with the Department of Labor and Workforce Development's laws.