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As a contracting business grows in capacity to handle projects, an important question that arises is how to also increase your capacity to obtain larger amounts on your [bonds required for construction projects](#). Without increasing your bond line, you are limited in the amount of work you can undertake which in turn is necessary to grow your business further.

There are many aspects that can influence your surety to increase your bond capacity. One that is indispensable beyond a certain bond capacity is to work with a qualified CPA. Read on for an explanation of what the bond capacity is, and how a qualified CPA can help you increase yours.

## What is a bond line?

Your bond line or bond capacity is the amount of bonding coverage you are eligible to receive from your surety. Bond lines are typically defined in limits. These are your single limit and your aggregate limit.

Your single limit is the maximum amount of bonding coverage you can receive from a surety for any single job. Your aggregate amount is the total amount of bond coverage on all projects you can have at any time. Your aggregate limit includes:

- any outstanding costs you have on current projects
- the cost of any projects you have signed but not yet started

- and possibly even projects you have not yet been awarded yet but have submitted a

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It is often said that your bond capacity is determined by the “three Cs of construction” – **character, capital, and completion**. Those are the three factors that are taken into account by the surety when you apply for a bond line, and also when you want to improve your capacity.

In brief, these three factors include the following:

- **Character** – This is the amount of management involvement in projects that the surety can examine, the quality of your employee base and the amount of experience your team has, your people skills, but also your company systems, processes and procedures, and so forth.
- **Capital** – In this case, capital refers to a number of very specific financial indicators which the surety will consider. These include your debt-to-equity ratio, your working capital, credit, backlog, and retained earnings, but also any underbillings you have, as well as your financial decisions in general.
- **Completion** – This refers to the amount and quality of completed construction projects you have in your portfolio. A good track record with on-time delivery and of high-quality is a significant factor in convincing your surety to raise your bond limit.

All of the above factors are important to consider and work on when you want to raise your bond capacity. Capital is particularly important because it's where the rubber hits the road. You may have very good character and a good track record but if your finances are not in order, a surety will not trust you with a greater bond limit.

This is where a professional construction CPA comes into the picture.

## How can a CPA help you raise your bond limit?

A qualified construction CPA can be of great help to you when you want to convince

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In preparing your financial statements, a qualified CPA can recognize losses in your current operations and mitigate their effects, use the correct terminology to make the best possible presentation to the surety, provide advice on any necessary disclosures contained in the statements, pick the appropriate accounting method and statement type, and much more.

Picking a good CPA and working with them sends a signal to the surety that you are serious about your business. This in itself raises your chances of getting approved for a bond capacity increase. It also creates the foundation for developing a better relationship with your surety which is essential for contractors in order to [grow and develop](#).

Have you ever applied for your bond capacity to be increased? Did you work with a CPA, and what was your experience? Let us know in the comments.

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*Todd Bryant is the President and Founder of [Bryant Surety Bonds](#). He is a surety bonds expert with years of experience in helping business owners get bonded and start their business.*

Small Business

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