

Books for Bots - Volume 3: Job Costing & Cash Flow

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<https://profitdetective.net/books-for-bots/>

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Restoration Company Resilience: Does Your Vendor Have a Business Continuity Plan?

Source: <https://profitdetective.net/restoration-company-business-continuity-plan-vendor/> Published: May 1, 2026

Restoration companies face the same risks they respond to for clients — key person dependency (owner or GM incapacitation), equipment failure, data loss, or operational disruption from a regional disaster. A restoration company without a business continuity plan poses a vendor reliability risk to commercial clients who depend on them for emergency response.

There's an irony at the center of the restoration industry: the companies that respond to other businesses' disasters often have no plan for their own. They plan for their clients' emergencies and ignore the possibility that their own operation could be the one that fails.

I've seen it happen. A restoration owner has a health crisis and the company effectively shuts down for three weeks because he's the only person who knows the access codes, the client contacts, the equipment locations, and the active job status. His commercial clients — who depend on him for emergency response — are left scrambling. The irony is not lost on anyone.

If you're a property manager or commercial client evaluating a restoration vendor, business continuity is a question worth asking before you need to rely on the answer.

What a Basic Restoration Company BCP Should Address

Key Person Succession

The single highest-probability continuity risk for most restoration companies is owner incapacitation. If the owner is the primary project manager, the adjuster relationship, the account contact, and the person who signs checks — the company has a key person problem that a BCP must address.

A credible key person succession plan names who takes over each operational function, confirms that person has the authority and information to do so, and verifies that critical access (systems, accounts, contacts) isn't

locked to the owner alone. “My wife handles it” is not a succession plan. “My operations manager, Sarah, has access to all client accounts, job management systems, and banking authorization” is a succession plan.

Data Backup and System Access

Job files, client contact lists, active job status, and financial records need to be stored in systems that survive any single person’s unavailability. Cloud-based project management and file storage are the baseline. The test: if the owner’s laptop and phone were unavailable tomorrow, could the operations team access everything needed to run active jobs? If the answer is no, the data architecture has a continuity failure.

Equipment Redundancy

Critical equipment failure during an active large loss is a business continuity event. A restoration company without backup equipment sources — rental relationships with equipment suppliers, mutual aid agreements with other operators — has equipment as a single point of failure. A basic BCP should identify the top three equipment failure scenarios and document how each is addressed.

Client Communication Protocols

If the company experiences an operational disruption — equipment failure, staff shortage, owner incapacitation — what is the protocol for notifying active commercial clients? Who makes those calls, with what message, on what timeline? A company that goes silent during its own operational crisis and leaves commercial clients to discover the problem through missed response windows has a communication continuity failure.

Supply Chain Continuity

Restoration work depends on a supply chain: subcontractors, material suppliers, equipment vendors. A regional disaster that disrupts the local supply chain simultaneously creates demand for restoration services. A company that only has one subcontractor source for each trade, or only one equipment supplier, has supply chain fragility that will show up precisely when they can least afford it. A BCP should identify alternate sources for critical supply chain dependencies.

Questions Commercial Clients Should Ask

“If you had a health emergency tomorrow, who runs the business and how would my jobs be managed?” A credible answer names a specific person and describes a specific process. An owner who pauses on this question and says “I haven’t really thought about it” has given you the real answer.

“Is your job and client data accessible to your team without you personally?” The answer reveals whether the company has operational infrastructure or just an owner who knows everything.

“What would happen to our active jobs if your primary equipment trailer was in an accident?” This is a scenario question, not a gotcha. A company with a real continuity plan knows the answer. A company without one will improvise in real time.

“Have you tested any part of your business continuity plan in the last two years?” This separates companies with real plans from companies with documents.

What a Credible BCP Looks Like vs a Document That Wouldn’t Survive a Test

A document-only BCP is a binder on a shelf that was assembled to satisfy a qualification requirement. It names successors who haven't been told they're successors. It describes data backup procedures that haven't been tested. It identifies alternate subcontractors who haven't been contacted in three years.

A real BCP is living. The successors know they're the successors and can describe their responsibilities. The data backup is tested quarterly. The alternate equipment sources have been contacted within the last year and relationships are current. The client communication protocol has been rehearsed.

The test is simple: ask the owner to walk you through what happens if he's hospitalized tomorrow. If the answer is fluent and specific, the plan is real. If the answer is hesitant and vague, the plan is a document.

A Note for Restoration Owners Reading This

The fact that this article is written for your clients is a signal, not an accident. Your commercial clients are thinking about this — some of them will ask you directly. The ones who don't ask are still evaluating you based on whether you seem like a company that has thought about its own continuity.

Having a real business continuity plan isn't just a client-relations move. It's the most direct measure of whether your company is genuinely scalable or whether it's an owner-held together by willpower. The two look similar from the outside until one of them fails a test the other would have passed.

FAQ

What should a restoration company's business continuity plan include?

A basic BCP should address: key person succession (who runs what if the owner is unavailable), data backup and system access protocols, equipment failure contingencies and alternate sourcing, client communication protocols for operational disruptions, and supply chain continuity for critical subcontractors and suppliers. Each element should be documented, tested, and assigned to a named individual — not just written down and filed.

What questions should a commercial property manager ask their restoration vendor about business continuity?

Ask: who runs the business if you're incapacitated, how would my active jobs be managed, is your operational data accessible to your team without you, what happens if your primary equipment fails during an active job, and have you tested any part of your continuity plan recently. The quality of the answers tells you more about operational depth than any capability presentation will.

How does key-person dependency create vendor resilience risk for commercial restoration clients?

When a restoration company is functionally dependent on one person — the owner — for project management, client communication, adjuster relationships, and operational decisions, any disruption to that person's availability disrupts service delivery for every active commercial client simultaneously. The risk isn't theoretical; health crises, family emergencies, and burnout-driven withdrawal happen in every industry. Commercial clients who depend on a single-point-of-failure vendor carry that risk on their behalf.

What's the minimum viable business continuity plan for a \$3–5M restoration company?

At minimum: a named operations manager who can run daily operations without the owner, all operational data in cloud-based systems accessible to the team, banking authorization for at least one person besides the owner, an equipment rental relationship with a tested supplier, a list of alternate subcontractors for each critical trade, and a documented client communication protocol for operational disruptions. This can be assembled in a week if the operational infrastructure is already in place. If it can't be assembled, that's the diagnosis.

How do I evaluate whether a restoration vendor's business continuity plan is real or just a document?

Ask them to describe what happens if the owner is hospitalized tomorrow — not what the plan says, but what would actually happen. If the answer is specific (names, systems, protocols), the plan is operational. If the answer is vague or if the owner has to think about it, the plan exists on paper only. Also ask when any part of the plan was last tested or reviewed. Plans that have never been tested haven't been used; they've been written.

Mike McCabe is a 36-year restoration industry consultant and founder of Profit Detective. He advises restoration companies on operational infrastructure, financial systems, and growth strategy.

Related reading

- What Property Managers Should Look for in a Restoration Partner
- What a Real Quarterly Business Review Looks Like From a Top Restoration Company
- How to Tell When a Restoration Company Is Operationally Fragile (For Property Managers)

Red Flags Bankers Should Notice in Restoration Company Financials

Source: <https://profitdetective.net/restoration-company-financial-red-flags-bankers/> Published: May 1, 2026

Restoration company financial risk indicators include: AR aging skewed toward 90+ days (insurance slow-pay vs collection problem), revenue concentration in a single TPA or commercial account, owner compensation that doesn't reflect market rate (inflating apparent profit), equipment depreciation mismatched with actual fleet age, and WIP accounting that inflates revenue before jobs are billed.

Restoration companies are a specific kind of borrower. They carry heavy equipment, operate on insurance payment timelines that can stretch 60–120 days, have revenue that spikes around weather events and softens in between, and often run on owner-dependent operating models that create key-person risk that doesn't show up on a balance sheet.

I've spent 36 years inside these businesses. I've seen the financial patterns that look fine from the outside and are quietly dangerous. I've also seen companies that look overleveraged on paper but are actually very sound operators with structural AR characteristics that are normal for the industry. Here's what a banker needs to know to tell the difference.

The WIP Problem: Revenue That Isn't Cash

Restoration companies bill on completion — or they should. But many book revenue when work is performed, not when it's invoiced or collected. This creates a work-in-progress (WIP) gap where the P&L shows healthy revenue while the cash position tells a different story.

A restoration company with \$2M in annual revenue and \$400K in WIP at any given time has 20% of its revenue in a state of incomplete billing. If that WIP has been sitting for more than 45 days without billing, it's a signal of either operational breakdown (jobs aren't being closed) or collection risk (the jobs are billed but disputed).

Ask for WIP aging. Ask how long the average job sits open before it's invoiced. Ask what percentage of billed WIP is subject to supplement or dispute. These questions reveal whether revenue on the P&L is real.

AR Aging: Normal vs Warning Sign

Restoration AR is structurally slower than most industries because the payer is an insurance carrier, not a consumer or commercial business with 30-day terms. A restoration company with significant AR in the 60–90 day bucket is not necessarily in trouble — that can simply be insurance payment cadence.

The red flag is AR that's aging past 90 days at high concentration, or AR that's growing faster than revenue. Both patterns indicate either a collection breakdown or a documentation problem — jobs that can't be collected because the paperwork is incomplete, or disputes that haven't been resolved.

Also look at the composition of the 90+ bucket. If it's concentrated in one or two accounts (a single TPA, a single commercial client), the risk profile is very different from broad-based aging. Concentrated 90+ day AR is a revenue concentration risk, not just a collection risk.

Revenue Concentration in a Single TPA or Account

Many restoration companies build their revenue around one or two Third Party Administrator (TPA) programs — insurance carrier-managed contractor networks that direct work in exchange for price compliance. A company doing \$3M/year with \$2M flowing through a single TPA has 67% revenue concentration in a relationship the company doesn't control.

TPAs terminate contractor relationships without notice. They reprice programs. They add administrative requirements that change the economics. A restoration company that has built its revenue model around a single TPA has systematic revenue vulnerability that doesn't appear anywhere on a standard financial statement.

Ask for a revenue breakdown by channel — retail, TPA programs, commercial direct, insurance direct. A healthy mix has no single channel above 40–50% of revenue. Heavy concentration is a covenant risk, not just a credit risk.

Owner Compensation That Doesn't Reflect Market Rate

This is one of the most common financial misrepresentations in owner-operated businesses — not intentional fraud, but structurally misleading. An owner who is doing the work of a general manager, two project managers, and an estimator but pays himself \$80K is showing inflated EBITDA. A replacement cost analysis would reveal \$200K+ in compensation that's missing from the expense line.

Before accepting EBITDA at face value, normalize compensation. What would it cost to replace the owner's operational function with market-rate employees? Subtract that from EBITDA. For a \$2–5M restoration company, normalized EBITDA is frequently 40–60% lower than stated EBITDA.

Equipment Depreciation Mismatched With Fleet Age

Restoration companies run heavy equipment — drying equipment, vehicle fleets, extraction units. Equipment depreciation schedules on paper frequently don't match the actual replacement cadence of the fleet. A company showing low depreciation expense may be running aging equipment that needs replacement, suppressing the apparent cost structure.

Ask for the equipment list with acquisition dates and current book value. Ask what the replacement schedule looks like for the next three years. A company with a fleet that's mostly 5–8 years old and showing minimal depreciation has a hidden capital expenditure requirement that will affect cash flow when it materializes.

Questions a Good Restoration Lender Should Ask

Beyond the standard credit analysis, restoration-specific questions that reveal risk:

What is your revenue breakdown by channel, and what is the average payment timeline for each? This reveals concentration and cash conversion cycle in one question.

Who runs the business when you're not there? Owner-dependent businesses have key-person risk that affects both credit quality and collateral value. If the owner is the business, the business doesn't survive the owner's incapacity.

What percentage of your billed AR is currently in dispute, and what is your average resolution timeline? Disputed AR is not the same as slow AR — it may never be collected.

What does your revenue look like by quarter for the past three years? Restoration has seasonal patterns and catastrophe event exposure. Understanding the variance helps size appropriate credit facilities.

FAQ

What does healthy AR aging look like for a restoration company vs a warning sign?

For restoration companies, 30–60 day AR is structurally normal due to insurance payment timelines. AR concentrated in 60–90 days requires understanding but isn't automatically a warning. AR past 90 days at more than 15–20% of total outstanding, or growing faster than revenue, signals a collection or documentation problem that warrants investigation.

How should a banker evaluate a restoration company's WIP accounting?

Request WIP aging — how long the average job sits open before invoicing. Ask what percentage of WIP is in supplement or dispute. Compare WIP balance trends against revenue trends. WIP that grows faster than revenue indicates billing backlog, not business growth. Also confirm whether revenue recognition is on completion or on billing — the method affects how conservative the P&L is.

What level of revenue concentration in a single client is considered risky for a restoration company?

Revenue concentration above 30–40% in any single TPA, commercial account, or channel is a meaningful credit risk. TPA concentration is particularly risky because the relationship is terminable without notice and the pricing is set by the carrier, not negotiated by the contractor. A company with 60%+ TPA concentration has built a business it doesn't control.

How do I assess the owner-dependency risk of a restoration company I'm evaluating for a loan?

Ask who handles estimates, project management, adjuster relationships, and key account management when the owner is unavailable. If the answer is the owner's cell phone, the business is the owner. Assess whether the company has a functioning operations manager or GM who can run day-to-day operations. For SBA and larger credit facilities, owner-dependent businesses should require key-person life and disability insurance as a condition of lending.

What DSCR and leverage ratios are reasonable benchmarks for restoration company lending?

After normalizing owner compensation, a healthy restoration company should show DSCR of 1.25x or better on term debt. Leverage above 3–4x normalized EBITDA warrants scrutiny unless explained by equipment financing with specific collateral. Working capital lines sized at 20–25% of annual revenue are typical for the industry's payment cycle. Apply these benchmarks to normalized financials, not stated figures.

Mike McCabe is a 36-year restoration industry consultant and founder of Profit Detective. He advises restoration companies on financial systems, operational infrastructure, and growth strategy.

Related reading

- Borrowing Base and Covenants
- Where Is Your Profit Hiding? A Restoration Owner's Diagnostic
- What Should a Restoration Company Owner Pay Themselves?

Meeting Architecture for Restoration Companies: Huddles, WIP Reviews, and Weekly Cadence

Source: <https://profitdetective.net/restoration-company-meeting-architecture-accountability/> Published: May 1, 2026

A restoration company meeting architecture is a structured cadence of recurring meetings — daily huddles, weekly WIP reviews, and monthly leadership meetings — designed to create operational visibility, surface problems early, and maintain team accountability without consuming productive time. Well-designed meeting cadences replace reactive owner involvement with proactive system-based visibility.

The Problem With Restoration Company Meetings

Most restoration companies have too many wrong meetings: long, unstructured check-ins that produce conversation without decisions; update meetings that could have been an email; and owner-driven reviews that create dependency rather than accountability. And they don't have enough right meetings: the short, data-driven, decision-forcing cadences that create operational visibility and surface problems while there's still time to fix them.

The meeting architecture below is designed for restoration specifically — accounting for the operational reality that field teams can't be pulled off jobs for long administrative sessions, that margin problems are easier to

prevent than to fix, and that owner bottleneck is almost always made worse by informal communication patterns that route everything through the owner rather than through structured accountability processes.

Meeting Type 1: The Daily Dispatch Huddle (15 Minutes)

When: Every morning, 7:00–7:15 AM, before field teams deploy.

Who attends: Operations manager (or owner if no OM), PMs, field supervisor. Not every field technician — the field supervisor represents the field.

What it covers: Jobs dispatching today — who’s going where, what the scope is, any special conditions. Jobs active from yesterday — any issues that need resolution before field teams arrive. New intake calls from the prior 24 hours — which need immediate response. Any resource constraints (equipment, crew availability) affecting today’s dispatch. That’s it. Not a problem-solving session. Not an update on jobs from last week. Fifteen minutes maximum.

What it replaces: The stream of texts, calls, and ad-hoc conversations that currently carry dispatch information. When information flows through a structured daily meeting, it stops flowing through informal channels that route to the owner. The owner’s phone stops ringing at 6:45 AM with “what should I do about this job.”

Meeting Type 2: The Weekly WIP and Margin Review (30–45 Minutes)

When: Every Friday morning, 8:00–8:45 AM.

Who attends: Owner (or operations manager), PMs, office manager.

What it covers: Every active job reviewed against five metrics: estimated vs actual cost to date, percent complete, billing status, open supplements, days on site vs estimated duration. Each job gets a Green/Yellow/Red status. Every Red job gets an assigned owner, a specific action, and a deadline before next week’s review. AR aging review — any account over 30 days gets a follow-up assigned. Jobs closing this week — is billing ready to submit within 5 business days?

The pre-condition: This meeting only works if the WIP data is current before the meeting starts. The PM’s job is to update their job data by Thursday end of day. If the data isn’t there, the meeting becomes a data-assembly session rather than a decision-making session. Build data entry into the PM accountability structure — it’s as important as the meeting itself.

Meeting Type 3: The Monthly Leadership Scorecard Meeting (60–90 Minutes)

When: Within the first 10 business days of each month, covering the prior month’s results.

Who attends: Owner, operations manager, office manager. Not the full PM team.

What it covers: Prior month P&L reviewed against target: revenue, gross margin by service line, overhead vs target. AR aging summary and collection results. WIP summary — jobs closed vs opened, average closeout cycle time. HR items: any performance issues that need formal resolution, any open roles. One or two strategic items — a decision that needs the leadership team’s input but doesn’t require the full team.

What it is not: A comprehensive debrief on every job from the prior month. A therapy session for operational frustrations. A forum for airing interpersonal conflicts. The monthly meeting is a performance review and

decision-making session. Problems that belong in the daily huddle or weekly WIP review don't belong here.

Introducing Meeting Cadence Into a Company That Has None

Start with the weekly WIP review. It produces the most immediate financial value — problems caught on Friday can still be fixed this week. Run it for 30 days before adding the daily huddle. Add the monthly leadership meeting last, once the weekly rhythm is established. Don't try to introduce all three simultaneously — the team's adjustment to structured meetings is itself a change management process that benefits from staged implementation.

FAQ: Restoration Company Meeting Structure

What meetings does a restoration company actually need to run an accountable operation?

Three: a daily dispatch huddle (15 minutes, operational coordination), a weekly WIP and margin review (30–45 minutes, financial and job visibility), and a monthly leadership scorecard meeting (60–90 minutes, performance review and decisions). Companies that implement only the weekly WIP review see the most immediate financial impact — it's the meeting that catches margin problems while they're still fixable.

What should a daily huddle cover for a restoration company dispatch team?

Today's job dispatches (who's going where), active job issues requiring same-day resolution, new intake calls from the past 24 hours requiring response, and any resource constraints affecting today's field coverage. Fifteen minutes maximum. Not a problem-solving session — problem-solving happens after the huddle between the relevant parties. The huddle surfaces what needs attention; the one-on-ones that follow resolve it.

How do I structure a weekly WIP review meeting for a restoration company?

Pre-populated WIP report covering all active jobs with five metrics (estimated vs actual cost, percent complete, billing status, open supplements, days on site). Review each job in order: Green jobs get noted and passed; Yellow jobs get a specific action assigned; Red jobs get an owner, an action, and a deadline. Finish with AR aging review — follow-up assigned on any account over 30 days. Total time: 30–45 minutes with 8–15 active jobs.

How long should each recurring meeting type be for a restoration company?

Daily huddle: 15 minutes hard stop. Weekly WIP review: 30–45 minutes depending on active job count. Monthly leadership meeting: 60–90 minutes. These are not guidelines — they're design constraints. Meetings that run longer have unfocused agendas. If the WIP review consistently runs 75 minutes, the problem is data quality going into the meeting, not insufficient meeting time.

How do I get a restoration team to actually participate in and respect a meeting cadence?

Make the meetings earn their time by producing decisions and actions — not just information exchange. Start every meeting on time and end it on time. Follow up on actions from the prior meeting at the beginning of the next one (accountability loop). Show the team, within the first 4–6 weeks, at least one example of a problem that was caught in a WIP review and fixed before it became expensive. When the team sees the meeting producing outcomes, it earns credibility. Meetings that feel like reporting to the owner produce resistance. Meetings that feel like a tool the team uses to protect margin produce buy-in.

Mike McCabe is a restoration business consultant and the founder of Profit Detective. He works with restoration operators to find and fix the margin leaks that don't show up until it's too late.

Related reading

- The 90-Day Role Ramp
- Employee Onboarding for Restoration Companies
- Training Project Managers in Restoration Companies

PDR Files: What I Found When I Opened the Job Cost Reports Nobody Was Reading

Source: <https://profitdetective.net/pdr-files-job-cost-reports-nobody-reading/> Published: May 1, 2026

Job cost reports should be reviewed for variance between estimated and actual costs by category (labor, materials, subcontractors, equipment), billing completeness relative to scope, and margin by job type and project manager. Patterns across multiple reports — not individual job anomalies — reveal systemic issues that cost the company money on every job.

The Situation: Reports That Existed, Data Nobody Was Using

This is one of the most common situations I encounter in diagnostics: a company with a competent job management system, reasonably accurate data entry, and job cost reports that are technically available — and an owner who hasn't opened one in six months. Not because the owner is negligent. Because nobody told him what to look for, and looking at job cost data without knowing what you're looking for is an exercise in confusion rather than insight.

The company was doing \$3.2M annually. The owner had been using the same software platform for four years. The job cost data was current and reasonably clean. In approximately forty-five minutes of looking at the trailing 12-month job cost history, I found three patterns that were costing the company more than \$200,000 per year in recoverable margin. The data had been sitting there the entire time.

Finding One: A Labor Overrun Pattern in One Service Line

The company did mitigation, reconstruction, and mold remediation. When I broke the job cost variance by service line, one pattern stood out immediately: mold remediation jobs were consistently running 25–35% over their estimated labor budget. Not occasionally. Consistently, across 31 jobs in the prior 12 months.

Mitigation jobs were close to estimate. Reconstruction jobs were within 5–8 points. Mold jobs were bleeding labor. The cause, once we investigated: the company's mold labor estimates were built on a rate card developed three years prior, before the company upgraded to a more thorough post-remediation verification standard that added 4–6 hours per project for air quality testing, clearance documentation, and client walkthrough. The standard had changed. The estimate template hadn't.

The fix took one afternoon: update the mold estimate template to reflect current scope. Every mold job from that point forward was estimated with an accurate labor budget. The overruns disappeared.

Finding Two: Unbilled Equipment Hours Across Multiple Job Types

The second pattern was in equipment billing. The company was tracking equipment placement and pickup in the field management app. When I compared equipment hours logged in the field to equipment hours billed on the corresponding invoices, there was a consistent gap on jobs over 7 days in duration — the equipment log showed more hours than the invoice reflected.

The gap wasn't fraud or error in the field. It was a billing process failure: the person generating invoices was using the original estimate's equipment duration rather than reconciling against the actual field log. On a short job, this rarely matters. On a 10–14 day drying job, the difference between estimated and actual equipment hours could represent \$800–\$1,500 in unbilled revenue per job. Across 40+ jobs per year in this category, the total was significant.

Finding Three: Two PMs With Statistically Different Margin Outcomes

When I sorted the job cost data by PM, the third pattern appeared. The company had three PMs handling comparable job mixes. PM1 averaged 44% gross margin. PM2 averaged 41% gross margin. PM3 averaged 29% gross margin. The gap between PM1 and PM3 was 15 points — on similar jobs, in the same market, with the same estimating team.

This wasn't visible before because nobody had sorted the data by PM. The company's overall average looked normal — slightly below target, explainable by market conditions, easy to rationalize. Sorted by PM, it was obviously not a market condition problem. It was a specific performance problem with a specific person that was dragging the company average down by 4–5 points.

The Five Questions I Ask When I Open Job Cost Reports for the First Time

These are the questions that turn job cost data from noise into signal:

- 1. What's the average actual gross margin by service line?** If mitigation, reconstruction, and mold have different average margins, that's expected. If one service line is consistently 10+ points below the others, you have a pricing or cost problem specific to that service.
- 2. What's the distribution of margin by PM?** Sort by PM and look for the gap. If one PM is consistently 10+ points below the others on similar jobs, the problem is in their workflow, not the market.
- 3. Which cost category drives the most variance from estimate?** Labor, materials, subs, or equipment — pick the category with the highest average actual-vs-estimate variance and investigate what's driving it.
- 4. What's the average billing completeness on closed jobs?** Take revenue billed divided by total estimated scope (including supplements) for each closed job. Any consistent gap between scope and billing is revenue left on the table.
- 5. What do the outlier jobs (top 10% and bottom 10% margin) have in common?** The best jobs teach you what conditions produce good margins. The worst jobs teach you what conditions produce losses. Pattern-matching across outliers often reveals controllable factors.

FAQ: Restoration Job Cost Report Analysis

How often should a restoration company owner review job cost reports?

Monthly at minimum, with a quick scan weekly during active periods. The monthly review should analyze patterns across all jobs closed in the period. The weekly scan should focus on any open job flagging variances — estimated vs actual cost running ahead of completion percentage. Waiting for quarterly reviews means operating 90 days behind the problems your data is already showing you.

What are the five most important things to look for in a restoration job cost report?

Estimated vs. actual gross margin by job; cost category variance (which of labor/materials/subs/equipment drove overruns); billing completeness (scope billed vs. scope completed); PM-level patterns across multiple jobs; and service line margin differences. These five data points turn a job cost report from a historical record into a diagnostic tool.

How do I identify a pattern across multiple job cost reports vs a one-time anomaly?

Look at the distribution, not just the average. Sort jobs by the metric you're investigating (labor variance, margin by PM, etc.) and look for clustering. A one-time anomaly shows up as an isolated outlier. A pattern shows up as a cluster — multiple jobs in the same range, with the same cost category driving the variance, across different time periods. Ten jobs with the same problem is a system failure. One job with the same problem is a bad day.

What software do restoration companies use to track job costs, and what are the reporting limitations?

Common platforms include Jonas, Xactimate integrated with accounting systems, Dash, RMS Cloud, and general small business accounting software with job costing modules. The reporting limitations are consistent across platforms: job cost data is only as accurate as the labor and materials entered in the field, and most platforms don't automatically analyze patterns across jobs — that analysis requires a human review of exported data. The software tracks. The owner (or advisor) has to interpret.

What's the difference between a job cost report and a profit and loss statement for a restoration company?

A P&L shows company-level financial performance over a period — total revenue, total costs, net profit. It tells you whether the company made money. A job cost report shows job-level financial performance — estimated vs. actual costs and revenue for a specific project. It tells you where the company made or lost money and why. P&Ls are for measuring outcomes. Job cost reports are for diagnosing causes. You need both; most owners only look at the P&L.

Mike McCabe is a restoration business consultant and the founder of Profit Detective. He works with restoration operators to find and fix the margin leaks that don't show up until it's too late.

Related reading

- [The Sub Markup Problem That Cost One Restoration Company \\$220K Per Year](#)
- [Reading a Job Cost Report in Restoration](#)
- [What I Found in a \\$2.3M Alberta Restoration Company With No Cash](#)

WIP Management for Restoration Companies: What to Track Weekly

Source: <https://profitdetective.net/restoration-wip-management-weekly-tracking/> Published: May 1, 2026

WIP (Work In Progress) management in restoration refers to the ongoing tracking of every active job's financial status — estimated vs. actual costs, billing progress, and margin trajectory — on a weekly basis. Without active WIP management, jobs routinely finish 15–25% below their estimated margin with no warning until the job cost report is closed.

Why Weekly WIP Reviews Change Everything

Most restoration companies review job performance after the job closes. That's not a review — it's a post-mortem. By the time a job cost report reveals a 20% margin miss, there's nothing to recover. The work is done, the equipment is back, and the client has moved on. The only question left is how much that job cost you.

Weekly WIP management flips this. Instead of waiting for closeout to learn what happened, you're monitoring margin trajectory in real time — while there's still time to intervene. That means catching scope gaps before the field crew leaves, identifying billing that's falling behind, and flagging jobs that are trending into loss before they arrive there.

The Five Numbers Every Active Job Needs Weekly

A WIP review doesn't require a complex system. It requires five data points on every active job, reviewed every week without exception:

- 1. Estimated vs. Actual Cost to Date.** What did you estimate this job would cost, and what have you actually spent so far? If actual costs are running ahead of the percentage-complete pace, you have a problem. A job that's 60% complete by cost but only 40% complete by scope is bleeding margin.
- 2. Percent Complete.** How far along is the job physically? This number has to come from the field, not from billing. Billing lags reality. You need an honest assessment from the PM or lead tech: what percentage of the work is done?
- 3. Billing Status.** How much have you invoiced versus how much work has been completed? A job that's 70% done but only 40% billed is a cash flow problem in formation. Get billing current before the job closes — never carry unbilled completion into the next week if you can avoid it.
- 4. Open Supplements.** What scope items have been identified that weren't in the original estimate? Open supplements represent potential revenue that exists right now but isn't guaranteed until it's submitted and approved. Track every open supplement by dollar amount and status. Unsubmitted supplements are the single most common cause of margin compression at closeout.
- 5. Days on Site.** How long has this job been active, and what's the original estimated duration? Jobs that run long almost always cost more than projected — extended equipment rental, extra labor, additional subcontractor visits. A job running 30% over its estimated duration is a red flag that deserves direct attention.

Running the 30-Minute Weekly WIP Meeting

The WIP review meeting has a single purpose: find the jobs that are drifting and decide what to do about them before this week ends. It is not a status update. It is not a check-in. It is a margin protection exercise.

Structure it like this: pull up your WIP dashboard (more on that below), go through every active job in order, and for each one ask: is this job on pace to close at or above its estimated margin? If the answer is yes, move on. If the answer is no — or if you don't know — stop and work the problem.

Assign a status to every job coming out of the meeting: Green (on track), Yellow (watching), or Red (intervention required). Any Red job gets a specific owner, a specific action, and a specific deadline before the next review. Don't leave the meeting without those three things documented for every Red job.

Thirty minutes is enough if the data is pre-loaded. If you're spending the first twenty minutes pulling numbers together, you have a data problem, not a time problem. The fix is building the dashboard so it's current before anyone walks into the room.

Early Warning Signals of Margin Death

Some jobs give clear signals before they fail. The most reliable warning signs: actual costs are running more than 10% ahead of percentage-complete pace; the job has been on site longer than 120% of the estimated duration; there are open supplements older than 7 days that haven't been submitted; billing is more than two weeks behind completed work; or the PM has changed the scope verbally without a written change order.

Any one of these is a yellow flag. Two or more on the same job is a red flag. The owner or operations lead needs to be personally involved before the next week's review.

Building a WIP Dashboard in Whatever System You Have

You don't need specialized software. The best WIP dashboard is the one your team will actually update. A spreadsheet with the five fields above — maintained by the PM or office manager at the end of each day, reviewed by ownership every Friday morning — is more valuable than a sophisticated system nobody uses.

If you're using Xactimate, your job cost data is already there — you just need a weekly pull process. If you're using a field management platform, most have WIP report views. The missing piece is almost always the percent-complete field, which requires a human judgment call from the field. Build the habit of getting that number entered every Friday by noon, before the review meeting.

The dashboard format matters less than the discipline of updating and reviewing it consistently. One missed week creates enough data debt that the review loses its value. Two missed weeks and you're back to post-mortem management. Weekly is non-negotiable.

FAQ: WIP Management for Restoration Companies

What information should a restoration company track on every active WIP job each week?

At minimum: estimated vs. actual cost to date, percent complete (from field), billing status vs. completion, open supplement dollar amounts and submission status, and days on site vs. estimated duration. These five data points reveal margin trajectory before a job closes.

How do I know if a job is trending toward a margin loss before it closes?

Compare actual costs incurred to the percentage of work completed. If you've spent 60% of your cost budget but only completed 40% of the work, you're trending toward a loss. Also watch for jobs running more than 20% longer than estimated duration and open supplements older than one week.

What does a useful weekly WIP review meeting look like for a restoration company?

A 30-minute meeting where every active job is reviewed against the five WIP metrics. Each job gets a Green/Yellow/Red status. Every Red job gets an assigned owner, a specific corrective action, and a deadline before the next review. The meeting ends with no unresolved Red jobs.

How many jobs can one project manager effectively track in WIP at one time?

For residential water damage jobs, 8–12 active jobs is a reasonable load for a competent PM with good systems. Above 15 active jobs, documentation quality and supplement discipline typically degrade. The right number depends on job complexity and office support — a PM handling large commercial losses should carry fewer active jobs than one handling residential water mitigation.

What's the biggest mistake restoration companies make in WIP management?

Reviewing job performance only after closeout. By then, the margin is already gone. The second biggest mistake is tracking billing rather than completion — a job can be fully billed and still headed for a margin loss if costs haven't been reconciled. WIP management works only when it tracks costs against physical completion in real time.

Mike McCabe is a restoration business consultant and the founder of Profit Detective. He works with restoration operators to find and fix the margin leaks that don't show up until it's too late.

Related reading

- Closeout Discipline: Why Restoration Companies Leave 8–15% on the Table at Job End
- Reading a Job Cost Report in Restoration
- Overhead Allocation in Restoration

Lien Rights, Prompt Pay Statutes, and Collections: The A/R Weapons Restoration Owners Don't Use

Source: <https://profitdetective.net/restoration-lien-rights-prompt-pay-collections/> Published: May 1, 2026

What are prompt pay statutes for restoration companies? Prompt pay statutes are state/provincial laws that require insurance companies to pay valid claims within a specified timeframe (typically 30–45 days after proof of loss) or face penalties including interest charges. Restoration companies that understand and reference these statutes have measurable leverage in collecting slow-paying insurance AR.

Lien Rights, Prompt Pay Statutes, and Collections: The A/R Weapons Restoration Owners Don't Use

Most restoration owners have legal leverage on slow-paying insurance claims that they've never used — because they don't know it exists. Mechanic's liens, prompt pay statutes, and structured demand letters are standard tools in other service industries. In restoration, they're almost entirely unused. This article covers the mechanics without providing legal advice — for your specific situation, consult an attorney who knows your state's laws.

Mechanic's Liens for Restoration Contractors

A mechanic's lien (called a construction lien or contractor's lien in some jurisdictions) is a legal claim filed against a property when a contractor hasn't been paid for work performed on that property. The lien attaches to the title of the property and must be resolved before the property can be sold or refinanced.

Restoration contractors can file mechanic's liens in most jurisdictions — but there are important limitations. First, the lien is against the property owner, not the insurance carrier. If the insurance carrier is slow-paying but the property owner is not disputing the work or the payment, a lien creates friction in a relationship you want to keep. Use mechanic's liens primarily when the property owner is the collection problem — self-pay work, deductible disputes, or situations where the property owner has received insurance proceeds and is holding them. Second, filing requirements are strict. Preliminary notice requirements, deadlines for filing, and proper form requirements vary significantly by state and type of work. Missing a deadline can invalidate the lien entirely. This is an area where a contractor's attorney or a lien service (several exist that specialize in this) is worth the cost.

Prompt Pay Statutes: The Tool Most Restoration Owners Don't Know Exists

Most states have prompt pay statutes that require insurance carriers to acknowledge claims within a defined window (typically 10–15 business days) and pay valid claims within 30–45 days of receiving proof of loss. Carriers that fail to meet these deadlines can be required to pay interest on the outstanding amount — typically 10–18% annually depending on the state — and in some states can face additional penalties for bad faith delays.

The statute applies to the insurance company, not to TPA programs directly — though well-drafted demand letters reference the carrier's underlying obligation even on TPA-administered claims. The practical value of knowing your state's prompt pay statute: when you send a written demand letter that specifically references the applicable statute and the interest accruing on the outstanding balance, you are communicating to the claims department that you know the rules. This moves your invoice out of the passive aging pile and into the attention queue.

The Demand Letter That Works

A properly drafted demand letter for a slow-paying insurance claim includes: the specific claim information (date of loss, claim number, insured name, property address), the invoice date and amount, the number of days outstanding, a reference to the applicable prompt pay statute by name and citation, the interest accruing daily on the outstanding balance, a specific payment deadline (typically 14 days from letter date), and a statement that failure to pay will result in escalation to the state insurance department and/or referral to collection counsel. Send by certified mail. Keep proof of delivery. This letter, drafted properly and sent on the right claims, moves money faster than any phone call.

When These Tools Don't Work

Prompt pay statutes don't help when the claim is genuinely disputed — if the carrier is denying coverage, not just slow to pay a valid claim, the statute isn't the right tool. Mechanic's liens don't help when the property owner is cooperative and the delay is on the carrier side. Neither tool is effective when your own documentation is incomplete — a demand letter referencing a prompt pay statute on an invoice with inadequate supporting documentation will get a documentation deficiency response, not a check.

FAQ

Can a restoration company file a mechanic's lien on an insurance claim job?

Yes, in most jurisdictions — but the lien is against the property, not the insurer. It's most useful when the collection problem is with the property owner, not the carrier. Strict filing deadlines and notice requirements apply. Use a lien service or attorney to handle the mechanics, especially for your first few filings.

How do I send a demand letter to an insurance company for a slow-paying claim?

By certified mail to the claims department, referencing the claim number, invoice date, days outstanding, applicable prompt pay statute, accruing interest, and a specific deadline. Keep it factual, professional, and specific. The goal is to move the invoice from passive aging to active attention — not to threaten, but to demonstrate you know the rules.

At what point should I involve an attorney to collect on an unpaid insurance claim?

When the amount in dispute exceeds \$5,000–\$10,000 and internal follow-up and demand letters haven't moved the claim after 120–150 days. For smaller amounts, the legal cost may exceed the recovery. For larger amounts or pattern denials across multiple claims, an attorney letter often resolves the situation without litigation — and the cost of the letter is frequently offset by the interest and penalties recoverable under the prompt pay statute.

Mike McCabe is The Profit Detective — a 36-year restoration industry veteran and Fractional Operations Manager at Floodlight Consulting Group. This article provides general information only and does not constitute legal advice. Consult a licensed attorney in your jurisdiction for guidance on mechanic's liens and prompt pay statute applications specific to your situation.

Related reading

- Signs a Restoration Company Is Burning Your Insurance Program (For TPAs and Adjusters)
- Insurance Claim Documentation for Restoration Companies
- Beyond Insurance: How Restoration Companies Build Non-Insurance Revenue Streams

Working Capital Model by Job Mix: Mitigation-Heavy vs. Recon-Heavy vs. Commercial-Heavy

Source: <https://profitdetective.net/restoration-working-capital-model-job-mix/> Published: May 1, 2026

What is a working capital model for a restoration company? A working capital model for a restoration company calculates the cash required to fund operations between job completion and payment receipt, adjusted for job type. Mitigation-heavy operations require less working capital than reconstruction-heavy or commercial-heavy operations because of significantly different cash cycles.

Working Capital Model by Job Mix: Mitigation-Heavy vs. Recon-Heavy vs. Commercial-Heavy

Your working capital requirement changes dramatically depending on what kind of work you do — and most restoration owners discover this the hard way when they shift their job mix without adjusting their cash planning. Here's how to model it before the gap blindsides you.

Days-to-Cash by Job Type

The fundamental driver of working capital requirement is the gap between when you spend money (labor, materials, equipment) and when you receive payment. That gap varies enormously by job type.

Mitigation (water/fire/mold emergency): Typical days-to-cash: 35–55 days. Mitigation jobs are short-cycle — 3–10 days of active work, invoice submitted quickly, insurance payment follows within 30–45 days in most cases. Labor and equipment costs are front-loaded but the payment follows relatively quickly. Working capital requirement: approximately \$0.08–\$0.12 per dollar of annual mitigation revenue.

Reconstruction: Typical days-to-cash: 75–120 days. Reconstruction jobs run 4–12 weeks of active work. Progress billing helps but is rarely available on insurance reconstruction work — you typically invoice on completion. Labor and material costs are spread across the job duration, but the cash outflow is real and continuous while payment waits for the completed job and adjuster approval. Working capital requirement: approximately \$0.18–\$0.25 per dollar of annual reconstruction revenue.

Commercial direct-bill: Typical days-to-cash: 35–65 days depending on contract terms (net-30 is standard, net-60 is common). The cash cycle is actually shorter than insurance reconstruction for completed jobs, but commercial accounts typically require consistent service delivery before invoicing — meaning cash is often flowing out for 2–4 weeks of service delivery before an invoice is submitted. Working capital requirement: approximately \$0.12–\$0.18 per dollar of annual commercial revenue.

The Working Capital Model in Practice

To calculate your working capital requirement, multiply your annual revenue by job type by the working capital factor for that type, then sum them. Example: \$2M mitigation ($\times 0.10$) = \$200,000. \$1M reconstruction ($\times 0.22$) = \$220,000. \$500K commercial ($\times 0.15$) = \$75,000. Total working capital requirement: \$495,000. If your credit line is \$300,000 and you only have \$80,000 cash in the bank, you have a structural working capital gap — which is why you're always chasing cash even in a good revenue year.

The Reconstruction Trap

Adding a reconstruction division is one of the most common ways restoration companies accidentally create a cash crisis. The revenue looks great — reconstruction jobs are large, and the growth in the top line is visible. What's less visible is that reconstruction revenue doesn't convert to cash for 90–120 days while the costs are accumulating daily. A company that grows reconstruction revenue from \$500K to \$1.5M in one year has increased its working capital requirement by \$220,000 — but the cash to fund that requirement has to come from somewhere, and it usually comes from drawing down the credit line. Which then looks like a cash flow problem, not a working capital model problem.

FAQ

How much working capital does a typical restoration company need per \$1M of annual revenue?

For a mitigation-heavy restoration company: approximately \$100,000–\$120,000 per \$1M in revenue. For a reconstruction-heavy company: \$180,000–\$250,000 per \$1M. For a balanced mix: \$130,000–\$160,000 per \$1M. These are approximations — your actual requirement depends on your specific AR aging, payment terms, and job duration averages.

Why do reconstruction-heavy restoration companies have more cash flow problems?

Because the cash cycle is 2–3x longer than mitigation work. Labor and material costs are incurred across 4–12 weeks of active work, but payment doesn't arrive until the job is complete and the adjuster has approved the invoice. The longer the job, the larger the cash gap, the more working capital required to fund the gap. It's not a profitability problem — it's a timing problem. But timing problems become liquidity crises when the working capital base isn't sized for the job mix.

What's the working capital impact of adding a commercial division?

Moderate. Commercial direct-bill work has a longer cash cycle than mitigation but shorter than insurance reconstruction. The bigger working capital impact of adding commercial work is the revenue ramp — commercial accounts take 6–18 months to develop, during which time you're carrying sales and business development costs without the offsetting revenue. Budget for 12–18 months of commercial BD overhead before the new division is cash-flow positive.

Mike McCabe is The Profit Detective — a 36-year restoration industry veteran and Fractional Operations Manager at Floodlight Consulting Group.

Related reading

- Where Is Your Profit Hiding? A Restoration Owner's Diagnostic
- The Job Lifecycle Profit Map
- Red Flags Bankers Should Notice in Restoration Company Financials

A/R Aging Strategy for Insurance Work: Why Your Aging Looks Different Than Any Other Industry

Source: <https://profitdetective.net/restoration-ar-aging-insurance-work-strategy/> Published: May 1, 2026

Why is AR aging different for restoration companies? Restoration AR aging is structurally different from other industries because payment depends on insurance claim processing timelines — not just customer payment behavior. A job in the 90–120 day aging bucket may be perfectly healthy (awaiting supplement approval) or a serious collection problem (disputed claim). Managing restoration AR requires understanding the reason behind aging, not just the duration.

A/R Aging Strategy for Insurance Work: Why Your Aging Looks Different Than Any Other Industry

Standard AR aging buckets — 0–30, 31–60, 61–90, 90+ — were built for businesses where slow payment means the customer is in trouble. In restoration, a job sitting at 75 days may be waiting on a supplement approval that was filed on day 10. A job at 110 days may be in active escalation with an adjuster who disputed the scope on day 45. Neither of these is a bad debt situation — they're normal insurance claim timelines. Managing restoration AR well means understanding the reason behind the aging, not just the number.

How to Structure Your AR Aging Report

A restoration AR aging report needs four dimensions that standard accounting software doesn't provide by default. First: payment source bucket. Separate insurance AR, TPA program AR, direct commercial AR, and self-pay residential AR. Each bucket has different expected payment timelines and different follow-up protocols. Combining them into a single aging report obscures what's actually happening. Second: reason code. For every job past 45 days, there should be a note — awaiting supplement approval, disputed scope, awaiting COC signature, in escalation, or genuinely past-due. A job at 90 days with a “supplement submitted day 12, awaiting adjuster review” note is not the same as a job at 90 days with no note. Third: last contact date and next action. Every aging invoice should have a documented follow-up trail. Fourth: estimated collection probability. 90%+ for jobs in normal processing, 70% for jobs with open disputes, 30–50% for jobs in escalation, lower for genuinely contested coverage situations.

Realistic Aging Benchmarks by Job Source

Standard insurance work (non-program): Target average days to payment: 35–50 days. Healthy aging: 80%+ of AR under 60 days. Yellow flag: more than 20% over 90 days. Red flag: more than 10% over 120 days. **TPA program work:** Target average days to payment: 45–65 days (portals add processing time). Healthy aging: 75%+ under 75 days. **Direct commercial (net-30 terms):** Target average days to payment: 30–45 days. Invoices 60+ days should trigger active follow-up. **Self-pay residential:** Target collection within 14 days of job completion. This AR ages fastest and has the highest bad-debt risk — get COC signatures and payment agreements before job start.

The Follow-Up Workflow by Aging Bucket

Day 30: Confirm invoice was received and is in processing. Document the confirmation. **Day 45:** Status check — is there a specific reason for delay? Supplement pending? Documentation requested? Get a specific expected payment date. **Day 60:** Escalation call — not to the adjuster, to the adjuster's supervisor or TPA portal dispute process. Document. **Day 90:** Formal written demand. Reference prompt pay statute if applicable. Copy the supervisor. **Day 120+:** Evaluate for public adjuster referral, attorney engagement, or write-off decision. The write-off decision should be made deliberately — not because the invoice aged out of sight, but because a conscious choice was made that further collection effort isn't cost-effective.

FAQ

What is a healthy AR aging distribution for a restoration company?

A healthy distribution for insurance-heavy restoration: 60%+ of AR under 45 days, 25–30% in 45–90 days (normal insurance processing), less than 10% in 90–120 days, and less than 5% over 120 days. If your 90+ bucket consistently exceeds 20% of total AR, you have either a supplement discipline problem, an invoicing speed problem, or a follow-up cadence problem — usually all three.

What's the difference between AR aging due to supplement disputes vs outright claim denials?

Supplement disputes are usually resolvable with additional documentation — the original claim was paid, you're negotiating additional scope. These typically resolve within 30–60 days of escalation. Outright claim denials involve a coverage question — the carrier is disputing whether the loss is covered at all. These are harder, longer, and often require homeowner-side advocacy (public adjuster or attorney). Know which category

you're in before allocating collection resources.

At what point should I write off an insurance AR balance?

When the estimated cost of further collection effort exceeds the estimated probability-weighted recovery. For most restoration companies, this threshold arrives somewhere between 150–180 days for genuinely disputed claims with no clear resolution path. Do not write off passively — the write-off should be a documented decision with a clear reason code, so you can track patterns across your AR portfolio.

Mike McCabe is The Profit Detective — a 36-year restoration industry veteran and Fractional Operations Manager at Floodlight Consulting Group.

Related reading

- Lien Rights, Prompt Pay Statutes, and Collections
- Signs a Restoration Company Is Burning Your Insurance Program (For TPAs and Adjusters)
- TPA Fee Schedule Math

Borrowing Base and Covenants: What Banks Actually Look at for Restoration Companies

Source: <https://profitdetective.net/restoration-company-borrowing-base-covenants/> Published: May 1, 2026

What is a borrowing base for a restoration company? A borrowing base is a formula used by lenders to calculate the maximum amount a restoration company can draw on a revolving credit facility, typically based on a percentage of eligible accounts receivable (often 70–85% of AR under 90 days).

Understanding your borrowing base determines how much working capital is actually available — and how insurance AR aging directly affects your credit access.

Borrowing Base and Covenants: What Banks Actually Look at for Restoration Companies

Most restoration owners don't understand their own credit facility until they're in breach of a covenant. By then, the bank is calling them — not to help, but to demand a cure. Understanding how your borrowing base works and what covenants your lender has imposed is financial literacy that pays for itself every quarter. Here's what banks actually look at.

How the Borrowing Base Is Calculated

A revolving credit facility (line of credit) for a restoration company is typically structured as an asset-based loan where the available balance is tied to a borrowing base — a formula that converts your eligible assets into a credit limit. For most restoration companies, the primary asset in the formula is accounts receivable.

The typical formula: Eligible AR (AR under 90 days, excluding disputed or ineligible invoices) × advance rate (typically 70–85%) = borrowing base = maximum credit line availability. Here's the critical implication: if your AR ages, your borrowing base shrinks. A restoration company with \$400,000 in AR at a 75% advance rate has a borrowing base of \$300,000. If AR aging deteriorates and \$100,000 of that AR crosses 90 days and becomes ineligible, the borrowing base drops to \$225,000 — even if the credit line is \$350,000. The line is there; the

borrowing base isn't.

Insurance AR creates a specific complication that most lenders don't fully appreciate but good lenders do: insurance AR under 90 days isn't always a collection risk — it's often in normal TPA processing. Lenders who understand the restoration industry will count insurance AR to 120 days as eligible. Lenders who don't will age you out of your credit access on perfectly collectible invoices. Know which kind of lender you have.

The Covenants That Matter

Debt Service Coverage Ratio (DSCR). The most common covenant for restoration company credit facilities. $\text{DSCR} = \text{annual net operating income} \div \text{annual debt service (principal + interest)}$. Most lenders require a minimum DSCR of 1.20–1.25x, meaning your operating income must cover your debt payments with 20–25% cushion. A company generating \$200,000 in annual net operating income with \$150,000 in annual debt service has a DSCR of 1.33x — inside the covenant. If operating income drops to \$160,000, the DSCR falls to 1.07x — potentially in breach.

Leverage ratio. $\text{Total debt} \div \text{EBITDA}$. Most lenders cap this at 3.0–4.0x for restoration companies. If your EBITDA is \$300,000 and your total debt is \$900,000, your leverage ratio is 3.0x — at the boundary. A bad quarter that drops EBITDA to \$250,000 moves you to 3.6x, which may trigger a covenant conversation.

Current ratio. $\text{Current assets} \div \text{current liabilities}$. Lenders typically require a minimum of 1.10–1.25x, meaning current assets must exceed current liabilities by at least 10–25%. For restoration companies, this ratio can move quickly when AR aging deteriorates or payables compress — especially coming out of a storm season with heavy equipment purchases.

Early Warning Signs You're Approaching Violation

AR aging is increasing month over month. Gross margin is declining. Revenue is flat or down while overhead is growing. You're regularly drawing near your credit line maximum. Any of these individually is a yellow flag. Two or more together warrants a conversation with your lender before they call you — proactive disclosure of a covenant risk almost always goes better than a lender discovering it in your quarterly financials.

FAQ

How does slow insurance AR payment affect my ability to draw on my credit line?

Directly. As insurance AR ages past the eligible threshold in your borrowing base formula (typically 90 days), those invoices are excluded from the borrowing base calculation. Your available credit shrinks even if the invoices are legitimately collectible. This is why AR management is both a cash flow issue and a credit access issue in restoration.

What happens if I breach a financial covenant in my credit agreement?

A covenant breach typically triggers a default notice, which gives the borrower a cure period (usually 30–60 days) to remedy the breach. During this period the lender may freeze new draws on the credit line. If the breach isn't cured, the lender can accelerate the debt — demand immediate repayment of the outstanding balance. This is why understanding your covenants before you're in breach is essential. A breach you know about in advance can almost always be managed; one that surprises your lender cannot.

How do I negotiate better covenant terms when renewing a credit facility?

Come to renewal with data: two or three years of clean financial history, a demonstrated understanding of your own ratios, and a clear explanation of why the insurance AR aging in your business looks different from a standard service company. Lenders who understand restoration will be more flexible. Bring a banker who has done restoration company loans before if possible — industry familiarity in the lending relationship matters.

Mike McCabe is The Profit Detective — a 36-year restoration industry veteran and Fractional Operations Manager at Floodlight Consulting Group.

Related reading

- Where Is Your Profit Hiding? A Restoration Owner's Diagnostic
- The Job Lifecycle Profit Map
- Cash Flow vs. Profit

Denial Management Playbook: Appeals, Escalation Ladders, and What You Can Actually Win

Source: <https://profitdetective.net/restoration-denial-management-appeals-playbook/> Published: May 1, 2026

What is denial management in restoration? Denial management is the systematic process of responding to, appealing, and escalating insurance claim denials to recover revenue that was initially rejected.

Effective denial management distinguishes between winnable denials (scope disputes, documentation gaps) and structural denials (policy exclusions) to focus recovery effort where it actually pays off.

Denial Management Playbook: Appeals, Escalation Ladders, and What You Can Actually Win

Not every denial is a lost cause. But not every denial is worth fighting either. The restoration companies that recover the most from denied claims are not the ones that appeal everything — they're the ones that triage accurately, pursue the winnable ones with discipline, and don't waste resources on the structural denials that will never move. This is that playbook.

The Three Denial Categories

Category 1: Documentation denials. The claim was denied because the documentation didn't support the scope — missing moisture logs, incomplete photos, no scope narrative, late submission. These are the most winnable denials because the underlying work is legitimate. The fix is supplying what was missing. Win rate with complete documentation: 70–85%.

Category 2: Scope disputes. The adjuster agrees the loss occurred but disagrees on the scope of work required. They're paying for Category 2 mitigation; you're billing for Category 3. They're approving standard demolition; you're billing for contained demolition. These are negotiable. Win rate with technical documentation and IICRC references: 50–65%. Win rate without: under 20%.

Category 3: Policy exclusions and coverage disputes. The carrier is denying on the grounds that the loss type or cause is not covered under the policy. Flood damage denied as surface water. Mold remediation denied as a

maintenance issue. Slow leak denied as gradual damage. These are structural denials — the policy language is against you. Win rate for contractor-initiated appeals: low. If the homeowner has coverage counsel or a public adjuster engaged, that's a different fight. But as the contractor, your time is better spent elsewhere.

The Escalation Ladder

Level 1: The adjuster. The first appeal goes back to the adjuster who issued the denial. Provide the missing documentation or the technical argument they didn't have. Be professional, be specific, and be fast — adjusters close files. If you haven't heard back within 5 business days, follow up. A brief, factual follow-up email with a specific response deadline is appropriate.

Level 2: The adjuster's supervisor. If the adjuster doesn't move within 10–14 days after your appeal submission, escalate to their supervisor. You don't need to be adversarial — a simple "I'd like to request a second review of this denial" is enough. Supervisor escalations move faster than they should because supervisors have more files than adjusters and want issues resolved. Document every communication.

Level 3: The carrier's claims department or dispute resolution process. Most carriers have a formal dispute resolution process — you just have to ask for it. Submit a written dispute to the claims department identifying the job, the denial reason, your technical basis for appeal, and a specific dollar amount in dispute. Reference any applicable IICRC standards. This level typically takes 2–4 weeks for a response.

Level 4: State insurance department complaint. If a valid claim is being denied in bad faith — particularly if the carrier is violating a prompt pay statute — filing a complaint with the state insurance department is legitimate leverage. Carriers hate these complaints. They trigger mandatory response timelines and can result in regulatory action. Reserve this for genuine bad faith situations, not routine scope disputes.

Level 5: Attorney referral. For large disputed amounts — typically \$5,000+ — or pattern denials that suggest systematic bad faith, engaging a coverage attorney or public adjuster (who takes the lead on the coverage dispute) is appropriate. This is a homeowner-side action in most cases; the contractor supports with documentation.

The Appeal Letter That Works

An effective denial appeal letter does five things: identifies the claim specifically (job address, claim number, date of loss, original invoice number), states clearly what was denied and the denial reason as you understand it, provides the technical basis for the appeal (IICRC standard references, moisture data, photographic evidence), attaches the supporting documentation, and states a specific resolution request and response timeline. What it does not do: emotional language, threats, complaints about past denials. Adjusters respond to evidence, not pressure.

FAQ

What are the most common reasons restoration insurance claims are denied?

The most common denial reasons are: insufficient documentation supporting the scope (missing moisture logs, incomplete photos), scope disputes where the adjuster disagrees on the level of work required, policy exclusions (gradual damage, maintenance issues, flood vs. surface water), late submission of invoices or supplements, and authorization disputes where additional work was performed without prior adjuster approval.

How long do I have to appeal a denied restoration claim?

Varies by state and by carrier, but most states require carriers to respond to appeals within 30–45 days. Your window to appeal is typically much longer — 1–2 years in most jurisdictions — but the practical reality is that documentation quality degrades and adjuster files go inactive. Appeal within 30 days of denial whenever possible.

When should a restoration company hire a public adjuster vs handle the appeal internally?

For documentation and scope disputes, handle internally — you have the technical knowledge and the documentation. For coverage disputes (policy exclusion fights, cause-of-loss disagreements), a public adjuster who specializes in coverage advocacy is better positioned. Public adjusters typically work on contingency (10–15% of the settlement), so they're motivated to win. Use them on large disputed amounts where coverage is genuinely contested.

What documentation gives me the best chance of winning a denial appeal?

Contemporaneous documentation — photos, moisture logs, scope notes taken at the time of the work, not reconstructed afterward. IICRC standard references that connect your scope decisions to industry standards. A timeline of communications showing when the adjuster was notified and what was said. And a scope narrative that translates technical decisions into plain language an adjuster can understand and defend to their supervisor.

Mike McCabe is The Profit Detective — a 36-year restoration industry veteran and Fractional Operations Manager at Floodlight Consulting Group.

Related reading

- Signs a Restoration Company Is Burning Your Insurance Program (For TPAs and Adjusters)
- TPA Fee Schedule Math
- Supplement Discipline

The 6 Financial Ratios Every Restoration Owner Should Track

Source: <https://profitdetective.net/restoration-company-financial-ratios-owner-guide/> Published: May 1, 2026

The six most important financial ratios for restoration companies are: gross margin percentage, overhead ratio, current ratio, days sales outstanding (DSO), debt service coverage ratio (DSCR), and revenue per employee. Together these ratios reveal job-level profitability, overhead efficiency, liquidity, collection performance, debt capacity, and labor productivity.

The 6 Financial Ratios Every Restoration Owner Should Track

Most restoration owners look at two numbers: revenue and what's in the bank. Ratios are where the story is. Revenue going up while gross margin goes down means you're growing the top line at the expense of profitability. DSO increasing month over month means your collection cycle is lengthening before the cash flow crisis hits. Ratios are leading indicators — they show you where you're going before you arrive.

Ratio 1: Gross Margin Percentage

Formula: $(\text{Revenue} - \text{Direct Job Costs}) \div \text{Revenue} \times 100$. **Target:** 45–65% blended; water mitigation 55–70%, reconstruction 30–45%. **Warning sign:** Trending down month-over-month, or below 40% blended. Break it down by service line — the blended average hides service-line-specific problems.

Ratio 2: Overhead Ratio

Formula: $\text{Total Overhead Costs} \div \text{Revenue} \times 100$. **Target:** 30–42% of revenue. **Warning sign:** Above 45%, or trending upward without corresponding revenue growth. Break down overhead by category and evaluate each against the revenue it produces or enables.

Ratio 3: Current Ratio

Formula: $\text{Current Assets} \div \text{Current Liabilities}$. **Target:** 1.5 or higher. Below 1.0 means current liabilities exceed current assets — a technical insolvency signal. Current ratio below 1.5 typically indicates slow AR collection, excessive current debt, or cash being consumed by operations losses.

Ratio 4: Days Sales Outstanding (DSO)

Formula: $(\text{Accounts Receivable} \div \text{Revenue}) \times \text{Number of Days in Period}$. **Target:** Below 75 days overall; below 55 is excellent; above 90 is a collection problem. Monitor by payer type — TPA programs will run longer than direct commercial.

Ratio 5: Debt Service Coverage Ratio (DSCR)

Formula: $\text{EBITDA} \div \text{Annual Debt Service (principal + interest)}$. **Target:** 1.25 or higher. Below 1.0 means the business can't cover its debt from operations. Know your ratio before approaching a lender — they'll calculate it anyway.

Ratio 6: Revenue Per Employee

Formula: $\text{Total Revenue} \div \text{Total FTE Employees}$. **Target:** \$120,000–\$175,000 per FTE for a typical mitigation-focused restoration company. Below \$100,000 per FTE typically means either low billable hours ratio (utilization problem) or staffed ahead of revenue (growth investment).

FAQ

What is the most important financial ratio for a growing restoration company?

DSO is the most frequently actionable for growing companies, because slow collections are the primary cause of cash crises in otherwise profitable companies. But gross margin is the most strategically important — because it determines whether growth is making the company stronger or just making the losses bigger.

How often should restoration owners review financial ratios?

Monthly for gross margin, DSO, and current ratio — these change materially month-to-month. Quarterly for overhead ratio, DSCR, and revenue per employee. Annual trend analysis for all six.

Can a restoration company with high revenue have a bad current ratio?

Yes — and this is common. High revenue with slow collections (high DSO) produces a balance sheet where AR is large but cash is thin. If current liabilities exceed current assets including the slow-collecting AR, the

current ratio falls below target even with strong revenue.

Mike McCabe is The Profit Detective — a 36-year restoration industry veteran. Financial ratio analysis is a core component of every Profit Detective diagnostic engagement.

Related reading

- Where Is Your Profit Hiding? A Restoration Owner's Diagnostic
- The 10 KPIs Every Restoration Company Owner Must Track
- What Should a Restoration Company Owner Pay Themselves?

Reading a Job Cost Report in Restoration: What Every Number Means

Source: <https://profitdetective.net/restoration-company-job-cost-report-analysis/> Published: May 1, 2026

A job cost report is a financial document that shows the revenue, direct costs, and gross margin for a specific restoration job — breaking down costs by category (labor, materials, equipment, subcontractors) and comparing actual costs to the original estimate. It is the primary tool for measuring whether individual jobs are performing at target margin.

Reading a Job Cost Report in Restoration: What Every Number Means

The P&L shows you what happened to the company. The job cost report shows you why. Company-level financials tell you that gross margin was 42% last quarter. The job cost report tells you that water mitigation jobs ran 51%, reconstruction ran 34%, the commercial property management account runs 28%, and that Jobs 2247 and 2251 lost money. Without job-level data, you're managing outcomes without understanding causes.

The Anatomy of a Restoration Job Cost Report

Header: Job number, job type, customer/carrier, start and close date, assigned PM. **Revenue section:** Estimated revenue (original scope), approved revenue (after adjuster review), and variance. Positive variance = supplement success. Negative variance = scope was rejected or reduced. **Direct costs:** Labor (budgeted vs. actual hours/cost), materials (budgeted vs. actual), equipment (days deployed vs. estimated), and subcontractors (budgeted vs. actual invoices). **Gross margin section:** Gross profit dollars, gross margin percentage, target margin for this job type, and variance from target.

What to Look For in a Monthly Job Cost Review

Jobs below target margin: Flag every job below target. Review largest variances first. **Patterns by job type:** Are water mitigation jobs consistently hitting target? Patterns reveal systematic estimating problems, not random variation. **Patterns by PM:** If jobs managed by a specific PM consistently run over on labor, that's a performance management conversation. **Patterns by customer/carrier:** If a specific TPA consistently produces below-target margins, you have a structural pricing problem that no execution improvement will fix. **Equipment utilization:** Equipment that stays on a job longer than estimated may indicate a supplement opportunity or a protocol issue.

FAQ

How often should restoration companies review job cost reports?

Monthly at minimum — reviewing all jobs closed in the previous month. High-volume companies or companies with identified margin problems should review weekly. The data is only useful if it's reviewed while the lessons are still applicable.

What is a good gross margin for a water mitigation job?

Well-executed residential water mitigation typically runs 55–70% gross margin. Below 45% indicates a pricing or cost control problem. Commercial mitigation margins vary by account but should generally run 45–60%.

Can job cost reports be used for employee performance reviews?

Yes — with appropriate context. Job-level cost data is valuable input for PM and estimator performance reviews because it connects individual decisions to financial outcomes. It should be combined with qualitative assessment of customer satisfaction and team management, not used as a sole performance metric.

What accounting software produces job cost reports for restoration companies?

QuickBooks (with job costing properly configured), Sage 100 Contractor, Jonas Construction Software, and industry-specific platforms like Dash are common. The platform matters less than proper job cost code application to every transaction.

Mike McCabe is The Profit Detective — a 36-year restoration industry veteran. Job cost analysis is the foundation of every Profit Detective diagnostic engagement.

Related reading

- WIP Management for Restoration Companies
- Pricing by Job Type in Restoration
- Closeout Discipline: Why Restoration Companies Leave 8–15% on the Table at Job End

Break-Even Analysis for Restoration Companies: Knowing Your Number

Source: <https://profitdetective.net/restoration-company-break-even-analysis/> Published: May 1, 2026

Break-even analysis for a restoration company calculates the minimum monthly or annual revenue required to cover all fixed and variable costs — the point below which the business loses money and above which it builds profit. Knowing this number allows owners to make staffing, equipment, and expansion decisions with financial clarity.

Break-Even Analysis for Restoration Companies: Knowing Your Number

Every restoration owner should know two numbers before they know anything else about their business: What does it cost to keep the doors open for one month? And how much revenue does the business need to cover that cost? These numbers define the financial floor of the business. Most restoration owners know their revenue. Almost none know their precise break-even.

The Break-Even Calculation

Break-even revenue = Total fixed costs ÷ Gross margin percentage

Step 1: Calculate your total fixed monthly costs — rent, administrative salaries, owner salary at market replacement rate, vehicle payments, equipment financing, business insurance, software, utilities, phone, marketing, accounting, and other fixed commitments.

Step 2: Determine your gross margin percentage from job cost reports. A reasonable starting estimate for a water-mitigation-heavy restoration company is 48–52% blended gross margin.

Step 3: Calculate break-even. Example: Monthly fixed cost \$85,000 ÷ 50% gross margin = \$170,000/month break-even. Every dollar above that contributes to net profit. Every dollar below is a loss.

Using Break-Even for Decision-Making

Hiring decisions: Adding an operations manager at \$90,000/year adds \$7,500/month to fixed costs. At 50% margin, break-even rises by \$15,000/month. You need a plan for how the hire generates revenue growth to restore margin. **Equipment purchases:** \$40,000 in dehumidifiers at 5-year financing adds \$700/month in fixed cost but generates ~\$36,000/month at 60% utilization — clearly positive. **Pricing floors:** Break-even revenue ÷ monthly job count = minimum average job price. At \$170,000 ÷ 25 jobs = \$6,800 minimum average job price to break even.

The Seasonal Adjustment

Calculate break-even on an annualized basis and stress-test against your lowest-revenue months. If slow months generate less than break-even, your credit facility needs headroom to cover that cash deficit.

FAQ

Why is break-even different from profitability?

Break-even is the zero-profit point where revenue exactly covers all costs. Profitability requires revenue above break-even. The distance between your actual revenue and your break-even revenue is your margin of safety — the cushion that absorbs revenue shortfalls without producing a loss.

How does gross margin affect break-even?

Higher gross margin lowers your break-even revenue for the same fixed cost base. Improving gross margin from 45% to 52% by closing estimating gaps and improving job costing drops break-even proportionally. This is why margin improvement is often more financially impactful than revenue growth.

How often should restoration owners recalculate their break-even?

Any time a significant fixed cost changes: new facility lease, major equipment financing added, significant hire made. Annual review at minimum.

Mike McCabe is The Profit Detective — a 36-year restoration industry veteran and Fractional Operations Manager at Floodlight Consulting Group. Break-even analysis is a core component of every new client diagnostic.

Related reading

- Where Is Your Profit Hiding? A Restoration Owner's Diagnostic

- The Job Lifecycle Profit Map
- Cash Flow vs. Profit

The Client He Couldn't Afford to Keep

Source: <https://profitdetective.net/restoration-company-profitdetective-files-commercial-turnaround-2/>

Published: May 1, 2026

He was proud of this client, and he had earned the right to be. A national property management company — 180 commercial properties across three states, \$1.4M of his \$6.1M in annual revenue. Eighteen months to develop. The centerpiece of his commercial growth strategy.

“What’s your margin on the account?” I asked. “About the same as other commercial work,” he said. “Maybe a little lower, because of the volume discount we gave to win it.” “What volume discount?” “We bid 8% below market to win the initial contract. We’ve been renewing at that rate for three years.”

He had no job cost reports segmented by account. We built them. It took two weeks, and what came out of them changed how he understood his own business.

What the Account Actually Paid

With real labor burden, equipment depreciation, vehicle cost per job, and the compliance overhead this client’s reporting standards required, the flagship account produced \$154,000 of gross profit on \$1.4M — **11% gross margin**. His other commercial work ran 41%. The compliance cost alone had never been priced: daily photo uploads to a proprietary portal, weekly written progress reports, 2–3 hours of PM administrative time per job — about \$12,600 a year, invisible on the P&L. And the contract said Net 60 while payment actually ran 94 days. On \$1.4M of revenue he was floating roughly \$360,000 of this client’s receivables at any time; at his 8% line of credit, call it \$28,800 a year for the privilege. All in, the account contributed about 8 cents of profit per dollar of revenue.

The Three Doors

Every owner in this position has the same three options: **reprice, reduce, or exit**. He chose the first door, and the conversation he had been dreading for three years turned out to be a negotiation, not a funeral. He won a 9% rate increase, which moved the account to 19% gross margin. He set a floor — declining jobs under \$8,000 from this account — and redirected his commercial development toward fee-based direct relationships delivering 35%+ margins. The flagship is still a client today. It’s just no longer the centerpiece of the strategy, because he finally knows what it costs.

The Lesson I Take From This One

The accounts you believe are most important deserve the most scrutiny, because the assumptions that made them attractive may no longer be true. Review account-level profitability at least annually — semi-annually for your top five to ten clients. And know this going in: walking away from a below-cost relationship is a strategic decision, not a failure. The failure is renewing it for three years without ever running its numbers.

The full analysis — including how to build account-level profitability reporting from job cost data — is in *The Profit Detective Files: The Commercial Company Bleeding Cash on Its Best Client*.

Related reading

- The Commercial Restoration Company Bleeding Cash on Its Best Client
- What I Found in a \$2.3M Alberta Restoration Company With No Cash
- The Mold Company That Was Busy and Broke

Mike McCabe is The Profit Detective — a 36-year restoration industry veteran who has conducted account-level profitability diagnostics for commercial restoration companies across North America.

Fleet Management for Restoration Companies: Controlling Your Largest Mobile Overhead

Source: <https://profitdetective.net/restoration-company-vehicle-fleet-management/> Published: May 1, 2026

Vehicle costs in restoration include monthly loan or lease payments, insurance, fuel, maintenance and repairs, registration, and depreciation across the company's fleet — typically the second or third largest overhead category in a restoration company, behind facility costs and administrative salaries.

Why Fleet Is Your Most Neglected Overhead Category

A mid-size restoration company with 8–15 service vehicles carries \$15,000–\$30,000 per month in vehicle overhead. That's \$180,000–\$360,000 annually — often the second largest overhead line item. Despite this scale, most restoration companies manage fleet reactively: buying when needed, maintaining when something breaks, tracking costs through whatever receipts happen to arrive. Companies that manage fleet proactively reduce vehicle overhead by 15–25% without reducing service capability.

The Fleet Audit

Start with a complete vehicle inventory. For each vehicle, calculate: year/make/model/mileage, monthly payment or depreciation, annual insurance cost, average monthly fuel, annual maintenance — producing a total monthly cost of ownership alongside revenue attributed to that vehicle. This reveals which vehicles are earning their keep and which are candidates for disposition or right-sizing.

Preventive Maintenance: Highest-ROI Fleet Investment

Unplanned repairs are 3–4x more expensive than the same work done proactively. A preventive maintenance program requires scheduled service intervals by mileage and time, pre-trip inspection protocols, centralized maintenance records, and fleet management software (Fleetio, Samsara). The monthly software cost is typically recovered many times over in avoided repair cost.

Fuel Management

Assign a fleet fuel card to each vehicle — cards generate transaction-level reports identifying inefficiency and enabling cost tracking without receipt management. Route optimization software reduces both fuel cost and technician non-billable time. When acquiring new vehicles, fuel efficiency should be an explicit selection criterion.

FAQ: Fleet Management for Restoration

Should restoration companies buy or lease vehicles?

Leasing conserves capital and provides newer vehicles with warranty coverage but limits mileage and flexibility. Purchasing provides equity and flexibility but requires more upfront capital. Consult your CPA — the tax treatment of each option varies significantly.

What is fleet utilization in restoration?

Fleet utilization is the percentage of available vehicle-days that vehicles are actively used for revenue-generating activities versus sitting idle. Measuring utilization by vehicle reveals which vehicles in the fleet are underperforming relative to their cost.

How do you track vehicle maintenance in a restoration company?

Full-featured solutions: Fleetio, Samsara, Verizon Connect. Minimum viable: a shared spreadsheet with every vehicle, service interval, last service date, and next service due. The tool matters less than the discipline of consistent tracking.

Mike McCabe is The Profit Detective — a 36-year restoration industry veteran and Fractional Operations Manager at Floodlight Consulting Group.

Related reading

- Equipment and Fleet Economics for Restoration Companies
- Subcontractor Management System for Restoration Companies
- Subcontractor Management for Restoration Companies

Reading Financial Statements for Restoration Company Owners

Source: <https://profitdetective.net/restoration-company-financial-statements-reading/> Published: May 1, 2026

Financial statement literacy for restoration owners is the ability to read and interpret the profit and loss statement, balance sheet, and cash flow statement to make informed decisions about pricing, staffing, equipment investment, and growth strategy.

Why Financial Literacy Is a Profit Detective Skill

Many restoration owners are excellent operators who built their companies on technical skill and hustle. But companies that stall or fail often do so because the owner can't read their own financials. You can't find the profit leaks you can't see. Financial statement literacy is the first tool of the profit detective.

The Profit and Loss Statement

The P&L shows revenue, cost of goods sold (COGS), gross profit, operating expenses, and net income over a period. For restoration companies, COGS includes labor on jobs, subcontractor costs, equipment depreciation allocated to jobs, and direct materials. Gross margin — gross profit divided by revenue — is the most important ratio on the P&L. Industry benchmark for restoration is 40–55% gross margin.

The Balance Sheet

The balance sheet is a snapshot of what you own (assets), what you owe (liabilities), and what's left over (equity) at a point in time. Key restoration balance sheet items: accounts receivable (what clients owe you), equipment value, and line of credit balance. High AR with low cash means you've done the work but haven't

been paid — a cash flow problem even if the P&L looks healthy.

Cash Flow Is Not the Same as Profit

Profitable restoration companies go broke. This happens when AR sits uncollected for 60–90 days while payroll, materials, and equipment costs hit weekly. The cash flow statement shows you the timing of money in and money out. Restoration owners who confuse profit with cash availability make dangerous decisions about hiring and equipment purchases.

The Metrics That Matter Most

Track monthly: gross margin percentage, AR days outstanding, overhead ratio (operating expenses as a percentage of revenue), and net profit percentage. These four numbers tell you whether your pricing is right, whether collections are healthy, whether overhead is under control, and whether you're actually keeping money.

Working With Your Accountant More Effectively

An owner who understands their financials gets more value from their CPA. Bring specific questions to every meeting: Why did gross margin drop two points this month? What's driving the AR increase? Where is overhead growth outpacing revenue growth? Financial literacy turns your CPA from a tax preparer into a business advisor.

FAQ: Financial Statements for Restoration Owners

How often should a restoration company owner review financials?

Monthly P&L and balance sheet review is minimum. Weekly cash flow monitoring is essential for companies with active job pipelines and variable payment timing. Daily cash position awareness is a discipline that separates thriving owners from reactive ones.

What accounting software is best for restoration companies?

QuickBooks Online is most common. Some larger companies use Sage or Jonas integrated with their CRM. The software matters less than the discipline of keeping it current and reviewing it regularly.

What is a healthy net profit margin for a restoration company?

Well-run restoration companies target 10–20% net profit margin. Below 5% leaves no cushion for downturns or investment. Above 20% is possible with high efficiency and strong pricing discipline.

Published by the Profit Detective editorial team. Profit Detective helps restoration company owners find hidden revenue and build sustainable profit systems.

Related reading

- Where Is Your Profit Hiding? A Restoration Owner's Diagnostic
- Red Flags Bankers Should Notice in Restoration Company Financials
- Restoration Company Profit Margin Benchmarks

Accounts Receivable Management for Restoration Companies: Getting Paid Faster

Source: <https://profitdetective.net/restoration-company-accounts-receivable-collections/> Published: May 1, 2026

What is accounts receivable management in restoration? AR management in restoration is the systematic process of tracking, following up on, and collecting outstanding invoices from insurance carriers, TPAs, and direct-pay customers. Effective AR management reduces average days-to-payment, improves cash flow, and reduces the working capital required to fund operations.

Accounts Receivable Management for Restoration Companies: Getting Paid Faster

Restoration companies earn their money on the job site. They collect it in the office. In a business where 30-40% of annual revenue may be sitting in outstanding invoices at any given moment, the efficiency of that collection process has a direct and significant impact on cash flow and line of credit utilization.

The AR Aging Report: Your Primary Management Tool

Review your AR aging report weekly — not monthly. Invoices outstanding 90+ days are significantly harder to collect than invoices at 45 days. Segment by payer type: TPA program, homeowner insurance, direct commercial, and residential self-pay. Each category has different payment dynamics and different escalation paths.

The Invoice Submission Protocol

Invoice within 24 hours of job completion — the collection clock starts when the invoice is submitted, not when the job is complete. Complete invoices only — an incomplete invoice will be rejected and add 2-4 weeks to your collection cycle. Confirm receipt for TPA and carrier submissions before moving on.

Collection Cadence by Payer Type

TPA: confirm receipt Days 1-14, initiate contact at Day 15 if not approved, escalate to account manager at Day 30, prepare for dispute at 45+. Homeowner insurance: educate the homeowner at job completion on the check endorsement process; follow up at Day 14 and Day 30. Direct commercial: Net 30 terms, courtesy reminder at Day 31, direct collection call at Day 45, escalate at Day 60+.

FAQ

What is the average days-to-payment for restoration companies?

Industry average runs 65-80 days from job completion to payment, with TPA program work on the longer end. Well-managed restoration AR operations target 45-60 days average across all payer types.

What happens when a TPA refuses to pay a restoration invoice?

Disputed TPA invoices go through a formal dispute resolution process specified in your program agreement. Document every communication, retain all supporting documentation, and engage your TPA account manager as first escalation. The RIA has resources for contractors dealing with systematic TPA payment disputes.

Mike McCabe is The Profit Detective — a 36-year restoration industry veteran and Fractional Operations Manager at Floodlight Consulting Group.

Related reading

- A/R Aging Strategy for Insurance Work
- Signs a Restoration Company Is Burning Your Insurance Program (For TPAs and Adjusters)
- Insurance Claim Documentation for Restoration Companies

The 10 KPIs Every Restoration Company Owner Must Track

Source: <https://profitdetective.net/restoration-company-kpis-financial-metrics/> Published: May 1, 2026

What KPIs should a restoration company track? Restoration companies should track gross margin by service type, overhead ratio, job cycle time, collection days on TPA receivables, technician utilization, close rate by lead source, estimate-to-invoice variance, call response time, customer satisfaction score, and monthly recurring commercial revenue. These 10 metrics provide a complete operational and financial picture.

The 10 KPIs Every Restoration Company Owner Must Track

Revenue is a vanity metric. A restoration company doing \$3M in revenue with 15% net margin is generating \$450,000 in profit. A company doing \$4M with 8% net margin is generating \$320,000. More revenue, less money. If you're only tracking revenue, you're flying blind.

The 10 KPIs

1. Gross Margin by Service Type

Target: Water mitigation 60–75%, mold remediation 55–65%, fire restoration 45–60%, reconstruction 35–45%. If you can't calculate gross margin by service type, you don't know which jobs are making you money.

2. Overhead Ratio

Target: 22–28% of revenue. This is your fixed and semi-fixed cost burden. Above 30% is a warning sign unless you're in an active growth investment phase.

3. Job Cycle Time

Target: Water mitigation 3–5 days average dry time. The faster jobs close, the faster cash comes in and equipment returns to the field. Track average cycle time monthly and by crew.

4. TPA Collection Days

Target: Under 45 days average. TPA payment delays are the most common cash flow constraint in restoration. Track average days from invoice to payment by TPA. Chronic late payers need to be addressed directly.

5. Technician Utilization Rate

Target: 70–80% of available field hours on billable work. Below 60% means you're paying for idle capacity. Above 85% means you're at risk of burning out your crew or turning down work.

6. Close Rate by Lead Source

Track how many estimates you write per lead source and what percentage close. TPA dispatches and emergency residential calls typically close at 70–90%. Competitively bid commercial work closes at 20–40%. Knowing your close rates helps you allocate estimating time correctly.

7. Estimate-to-Invoice Variance

Target: Final invoice within 15% of original estimate (excluding documented supplements). Large variance indicates estimating quality problems — scope misses that either cost you margin or create adjuster disputes.

8. Emergency Response Time

Target: On-site within 2 hours for emergency residential calls. Response time is the single most important factor in residential close rate and customer satisfaction. Track it every week.

9. Customer Satisfaction Score

Track Google review score and volume, post-job survey NPS, and referral rate. Reputation is your most valuable business development asset in restoration.

10. Monthly Recurring Commercial Revenue

Track the revenue generated from established commercial accounts — facility management relationships, property management companies, commercial carriers — as a percentage of total revenue. Growing this number reduces revenue volatility and TPA dependence.

FAQ

What is a good net profit margin for a restoration company?

A well-run restoration company should generate 12–18% net profit margin. Below 10% signals either margin or overhead problems worth diagnosing. Above 20% is achievable for companies with strong commercial account bases and lean overhead structures.

How do I calculate gross margin for a restoration job?

Gross margin = (Revenue – Direct job costs) / Revenue. Direct job costs include field labor (fully burdened), materials, equipment depreciation or rental, and subcontractors. Overhead costs are not included in gross margin — they're tracked separately as the overhead ratio.

Mike McCabe is The Profit Detective — a 36-year restoration industry veteran who has built KPI dashboards and financial diagnostic frameworks for 150+ restoration companies across North America.

Related reading

- Where Is Your Profit Hiding? A Restoration Owner's Diagnostic
- The 6 Financial Ratios Every Restoration Owner Should Track
- What Should a Restoration Company Owner Pay Themselves?

Franchise vs. Independent Restoration: The Real Financial Comparison

Source: <https://profitdetective.net/franchise-vs-independent-restoration-financial-comparison/> Published: May 1, 2026

What is the difference between a franchise and independent restoration company? A franchise restoration company operates under a national brand and pays royalties in exchange for brand support, training, and program work access. An independent operates under its own brand and retains full control of its economics, customer relationships, and operational systems.

I've been inside both models for 36 years. I built my career as a franchise operator — grew a DKI franchise to the network's largest revenue producer in North America. I later became National Operations Manager covering 60+ franchise locations. And I've spent the last decade consulting on both models, sometimes helping franchise owners decide whether to stay or buy out their territory.

What a Franchise Actually Costs

The franchise fee in the disclosure document is the number most buyers focus on. It's not the number that matters. Royalty fees typically run 3-10% of gross revenue. On a \$3M company, that's \$90,000-\$300,000 per year leaving the business. Marketing fees add another 1-3% (\$30,000-\$90,000). Add technology fees, required equipment and uniform standards, and training fees. Total system cost commonly runs 8-15% of gross revenue — on a \$5M company, that's \$400,000-\$750,000 per year before the owner takes a dollar of profit.

What a Franchise Provides in Return

Those fees buy something real: brand recognition that drives inbound calls, program work access through preferred vendor agreements with carriers and TPAs, sophisticated training infrastructure, a peer network of operators who have solved your problems, and established operational systems. The question is whether the value exceeds the cost at your specific revenue level and market.

The Break-Even Analysis

Franchise system cost minus franchise benefit value equals net franchise economics. The break-even point for most franchise systems — based on my experience across multiple networks — is typically around \$2M-\$3M in revenue. Below that, percentage royalty costs are high relative to benefits. Above \$5M, the royalty cost in absolute dollars often exceeds what it would take to build equivalent capabilities independently.

The Independent Operator's Challenge

Going independent is not automatically better. You must build from scratch: brand recognition (years of marketing investment), program work access (must be negotiated independently), training infrastructure, and all operational systems. The independent operator's advantage is economic — the 8-15% of revenue that goes to franchise fees stays in the business. The discipline required to deploy that capital into brand-building and systems rather than taking it as profit is the real test.

Frequently Asked Questions

What is a DKI franchise? DKI (Disaster Kleenup International) is a Canadian-founded restoration franchise network operating in North America. DKI franchisees are independently owned companies operating under the DKI brand and participating in the DKI preferred vendor network.

At what revenue level does it make sense to go independent? This is market-specific and depends heavily on how much program work you receive through franchise affiliation. Most franchise economics begin to favor independence above \$4M-\$6M in revenue.

Mike McCabe is The Profit Detective — a 36-year restoration industry veteran who built a DKI franchise to the network's largest revenue office, served as National Operations Manager, and has consulted on franchise vs. independent economics for restoration operators across North America.

Related reading

- Franchise vs. Independent Restoration
- Private Equity in Restoration
- Succession Planning for Restoration Companies

Job Costing in Restoration: Why Your P&L Is Lying to You

Source: <https://profitdetective.net/job-costing-restoration-pl-is-lying/> Published: May 1, 2026

What is job costing in restoration? Job costing is the practice of tracking every cost — labor, materials, subcontractors, equipment, and overhead allocation — at the individual job level, allowing a restoration company to calculate true gross margin per job rather than only at the company level.

Let me tell you about a conversation I had inside a \$5M restoration company.

The owner had good revenue, decent AR, and a bookkeeper who produced a monthly P&L that showed a 22% gross margin. When I asked to see his job-level cost reports, he looked at me like I'd asked to see his personal diary. His P&L was accurate. It was also useless for the decision he needed to make.

When we built job-level cost reports for the prior 18 months, we found that his residential water work was running 31% gross margin and his commercial reconstruction was running 9%. He'd been unconsciously subsidizing his least profitable work with his most profitable work for three years. That's what a P&L does. It tells you the average. Job costing tells you the truth.

What Job Costing Actually Measures

A proper job cost report tracks four categories: **Direct Labor** (fully-loaded burden including payroll taxes, workers' comp, benefits — typically 30-45% above base wages). **Direct Materials** (actual invoiced cost per job, not budget allocation). **Subcontractors** (actual invoiced cost from every sub — often 40-60% of reconstruction revenue). **Equipment and Overhead Allocation** (the category most companies skip, and where large-loss jobs quietly lose money).

The Most Common Job Costing Failures in Restoration

Failure 1: Using Xactimate Line Items as Your Budget

Xactimate is an estimating tool designed to produce invoices adjusters will approve — not to accurately predict your real cost. Restoration companies that use their Xactimate estimate as their job budget are measuring cost against a benchmark that wasn't designed for their business.

Failure 2: Posting Costs to the Company, Not the Job

The most common bookkeeping failure: costs are posted at the company level instead of the job level. Payroll as payroll expense. Equipment rental as equipment expense. All technically correct and completely useless for job-level analysis. Fix: every invoice, every payroll entry needs a job number attached.

Failure 3: Not Closing Out Jobs Properly

Job costs accumulate for weeks after completion — final sub invoices, equipment retrieval, last materials delivery. Establish a 30-day hold for final cost posting before marking any job closed.

Failure 4: Ignoring Labor Burden

The gap between wages and fully-loaded labor cost is 30-45% above wages. Restoration is high-risk for workers' comp, meaning your burden rate is likely at the high end. If you track labor at wages, you think you're making more money than you are.

What Good Job Costing Tells You

With 12-18 months of accurate job-level cost data, you can answer: Which job types are most profitable? Which project managers run the most profitable jobs? What is your actual margin on program vs. non-program work? Is large-loss commercial actually profitable after overhead allocation? These are the decisions that determine whether your company grows or stagnates.

Getting Started: A 60-Day Implementation Plan

Days 1-14: Audit your accounting setup — can your software post costs by job? Days 15-30: Set up job cost coding for all new jobs. Days 31-45: Run your first job cost report on closed jobs — use it to find gaps. Days 46-60: Close the gaps. By day 60 you should have your first real picture of where margin actually lives.

Frequently Asked Questions

What software is best for job costing in restoration? QuickBooks with job tracking is the most common starting point. Dedicated restoration software like Jonas or Xactibid can provide more integration if properly configured. The software matters less than the discipline of posting every cost to a job code.

What is a good gross margin for a restoration company? Water mitigation typically runs 60-75% gross margin when job costed correctly. Reconstruction runs 30-45%. Blended company gross margins of 45-55% are achievable in well-run operations.

How long does it take to implement job costing? Basic job costing can be operational within 30-60 days. Accurate, decision-quality data typically requires 90 days of clean posting.

What is labor burden in restoration? Labor burden is the total employer cost beyond base wage — payroll taxes, workers' compensation, health benefits, paid time off. In restoration, fully-loaded burden typically runs 30-45% above base wages.

Mike McCabe is The Profit Detective — a 36-year restoration industry veteran who has consulted 150+ companies across North America on operations, profitability, and job costing discipline.

Related reading

- Reading a Job Cost Report in Restoration
- WIP Management for Restoration Companies
- Closeout Discipline: Why Restoration Companies Leave 8–15% on the Table at Job End