



## Cash, AR, and Retainage in Plain English

A simple internal guide for PMs, accounting, and leadership

Why it matters	What AR shows	Core idea
A contractor can be profitable and still feel cash pressure if receivables age, retainage stacks up, or disputes linger.	Whether approved work is converting into cash and where billing, dispute, or collection friction may be building.	Profit only becomes useful operating capacity when it turns into cash.

### What leadership should be able to answer

- 1) What open AR exists by job?
- 2) How much is current vs aging?
- 3) How much retainage is outstanding?
- 4) What amounts are disputed or blocked?
- 5) What action is required this month?
- 6) Who owns that action?

### What a useful AR / retainage view should include

- Job
- Customer
- Billings to date
- Open AR by aging bucket
- Retainage outstanding
- Disputed amounts
- Next action
- Owner

### Why retainage deserves attention

Retainage is common in construction, but it can quietly become a cash strain when it is concentrated across too many jobs, release requirements are not tracked, or closeout drags on.

## Where cash friction usually starts

- Billing is behind production
- Change orders are unresolved
- Documentation is weak or incomplete
- Collection follow-up is unclear
- Retainage release is not actively managed

## Red flags

- AR aging rises month after month
- Large balances sit in one customer or one job
- Retainage grows but closeout plans are vague
- The same disputed items appear every month
- The team knows the balance but not the next action

## Best practice

A strong Monthly Job Review should connect what has been earned, what has been billed, what is still open, and what needs to happen next to move cash.

### **Bottom line and best practice**

Bottom line: Cash pressure usually builds when billing, dispute resolution, collection follow-up, or retainage release do not move at the same pace as the work.

Best Monthly Job Review use: Review AR and retainage alongside forecast, WIP, and change orders so the team can see where cash is getting stuck and who owns the next action.