

ARCHITECTURAL SURVEY

An Analysis of
Key Industry Statistics

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Tofias PC is one of the largest certified public accounting and consulting firms in New England. For more than three decades, Tofias has provided architecture and engineering firms with Superior SolutionsSM designed to improve their financial position. Because of our dedication to your industry, we understand and can address the unique business needs of your practice and its owners. As your partner, we strive to provide you with financial, business and tax planning advice and information that will improve your financial performance in a competitive market.

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To learn more about our architecture and engineering practice, please contact us at 888-761-8835.

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About the 2003 Survey

Tofias PC is pleased to present our *2003 Architectural Survey*. Our Firm has created a survey of the metropolitan Boston architecture industry annually for over 18 years, enabling us to track impressive historical trends and to become experts in translating financial data into an assessment of the current and future outlook for the industry and our clients. As a benchmarking reference guide, management teams and allied service providers can easily match their own financial performance to the survey to gain a better understanding of their strengths and weaknesses.

This year, we added two new graphs that showcase selected financial trends of the past 18 years. This extensive historical overview gives us a greater perspective of the industry's reaction to economic fluctuations, including the similarities between the recession during the late 1980's and early 1990's and the downturn of today.

In response to a high number of industry requests, we have also stratified select financial statistics into two different averages; those of firms with net fee income over six million dollars and those of firms with net fee income under six million dollars. Our objective is to provide more accurate and meaningful benchmarking capabilities to firms of varying size. It is important to note the differential in the profit per direct hour between the two categories as well as an overall decrease in the profit per direct hour, which reverses the trend of increases since 1997.

Another noteworthy trend during 2002 was the continued decrease in the direct labor utilization ratio to 60.2%, the lowest since the inception of the survey. This is predominantly due to many firms having difficulties with making timely adjustments to staffing and payroll costs when changes occur in firm volume and projected backlog. On the positive front, firms have focused on project management and maintained or slightly increased their average billing rate per direct hour during 2002.

This survey is based on the 2002 financial information of 24 metropolitan Boston architectural firms that we selected to participate as clients of our Firm. As a consequence, we do not present our information as statistically derived, but rather we feel that the participating firms make up a representative cross-section of all local architectural firms practicing in various markets.

Some level of individual firm variances from the survey average should be expected. We encourage our clients to strive to perform at a better-than-average level. Any significant differences should be identified and analyzed, and we would be pleased to assist you in assessing your firm's financial performance.

As always, we wish to extend our sincere appreciation to our client firms, who allow us to include their financial data in our survey. This survey would not be possible without their participation.

Time Statistics, 2002 Averages

Observations:

- The direct labor utilization rate decreased from 62.9% in 2001 to 60.2% in 2002. This is the lowest direct labor utilization rate in the history of the survey.
- The average overhead rate per direct hour surpassed last year's all-time high of \$44.31 to climb to \$49.62, an increase of 12%.
- The direct labor billing multiple decreased slightly from 3.03 in 2001 to 2.99 in 2002. Despite the minor decrease, the 2002 direct labor billing multiple remains strong and is the second highest in the history of the survey.
- The average billing rate per direct hour increased from \$82.63 in 2001 to \$85.36 in 2002, an increase of 3.3%.
- The average billing rate for firms with more than six million dollars in net fee income was \$7.81 higher than for firms with less than six million in net fee income, despite the fact that utilization was comparable.
- The direct labor billing multiple for firms with greater than six million dollars in net fee income was 3.15, while firms with less than six million averaged 2.80. This difference, coupled with a higher average billing rate per direct hour of \$7.81, indicates that, on average, the larger firms are able to negotiate more favorable fees at higher multiples, and the incremental difference in average billing rates falls directly to the bottom-line profit.
- Average profit per direct hour decreased from \$11.15 in 2001 to \$7.17 in 2002. This is the first substantial decrease in profit per direct hour since 1993, ending eight years of predominantly increasing profits.
- The average profit per direct hour for firms with net fee income greater than six million dollars was \$12.24 versus \$1.17 for firms with net fee income less than six million.
- Of the firms surveyed in 2002, 20% had a loss per direct hour. The majority of the firms with a loss in 2002 had net fee income of less than six million dollars.
- Similar to the results over the past two years, a handful of firms had significant profits compared to their peers. The range of profit/(loss) per direct hour widened in 2002 from a high of \$32.71 to a low of (\$10.96).

Time Statistics, 2002 Averages

	Surveyed Firms with Net Fee Income									
	Average of Surveyed Firms		Median of Surveyed Firms	Range of Surveyed Firms		Over \$6 Million		Under \$6 Million		
				High	Low					
Total Direct Hours	72,804	60.2%	59.4%	70.3%	52.2%	106,076	60.1%	33,482	60.8%	
Total Indirect Hours	48,077	39.8%	40.6%	29.7%	47.8%	70,496	39.9%	21,583	39.2%	
Total Hours	120,881	100.0%	100.0%	100.0%	100.0%	176,572	100.0%	55,065	100.0%	
Indirect Expenses		\$3,411,692	\$2,923,997	\$8,144,382	\$620,952		\$5,015,364		\$1,516,443	
Overhead Rate per Direct Hour		\$49.62	\$50.40	\$67.32	\$32.08		\$48.55		\$50.89	
Breakeven Multiple		2.74	2.73	3.46	2.21		2.72		2.76	
Direct Labor Billing Multiple		2.99	2.98	3.56	2.43		3.15		2.80	
Total Labor Revenue Multiple		1.77	1.77	2.22	1.41		1.89		1.64	
Average Billing per Direct Hour		\$85.36	\$85.02	\$114.83	\$66.77		\$88.94		\$81.13	
Employees' Average Hourly Rate:										
Direct		\$28.57	\$28.69	\$33.91	\$24.98		\$28.15		\$29.07	
Indirect		\$29.70	\$29.97	\$34.95	\$24.65		\$29.55		\$29.87	
Total		\$29.00	\$28.82	\$34.05	\$25.93		\$28.69		\$29.37	
Calculation of Profit per Direct Hour:										
Average Billing		\$85.36					\$88.94		\$81.13	
Direct Labor		(\$28.57)					(\$28.15)		(\$29.07)	
Overhead		(\$49.62)					(\$48.55)		(\$50.89)	
Profit/(Loss) Per Direct Hour		<u>\$7.17</u>	<u>\$6.22</u>	<u>\$32.71</u>	<u>(\$10.96)</u>		<u>\$12.24</u>		<u>\$1.17</u>	

Definitions:

Median The median is the middle value of the 24 firms participating in our survey.

High/Low Range The high/low range represents the second highest/lowest of the 24 firms participating in our survey.

Time Statistics, Historical Averages

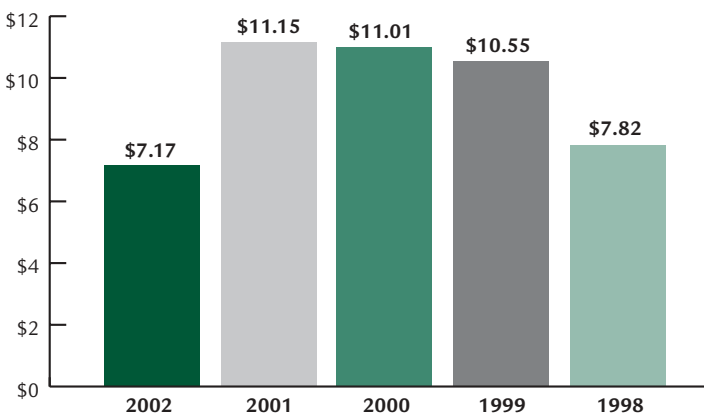
Observations:

- For the second consecutive year, the direct labor utilization rate decreased more than two percentage points, from 65% in 2000 to 62.9% in 2001 to 60.2% in 2002. These are significant decreases after the rate remained fairly constant at approximately 65% from 1994 through 2000. This negative trend should serve as a warning sign to the industry, since the profit per direct hour has historically decreased as the utilization rate decreases (see pages 10 and 11).
- The average billing rate for surveyed firms increased 2.7%, from \$82.63 in 2001 to \$85.36 in 2002. This is the smallest increase in four years and is well below the increases of 6% and 5.6% for 2001 and 2000 respectively. This modest rate increase is attributable to the average firm's ability to pass along direct labor costs at the same multiple as in prior years.
- Controlling payroll costs continues to be a significant challenge to those managing architectural firms. After a modest increase in total wage rates of 2.8% in 2001, total average wage rates rose 5% in 2002. Direct labor rates rose 5.2%, while indirect rates increased 2.3%. The 2002 rate increases were predominantly influenced by the mix of staff in the average surveyed firm as opposed to traditional wage rate increases that were seen in recent years.
- The direct labor billing multiple remained relatively stable at 2.99, indicating that firms have continued to focus on project profitability.
- Average profit per direct hour decreased to \$7.17, a reduction of 36% and the lowest profit level since 1997. The decrease in profit is directly attributable to increased overhead costs per direct hour and the decrease in the utilization rate. If the past is an indication of the future, the industry will have a difficult time increasing profit per direct hour until the utilization rate is improved, firm staffing is adjusted to proper levels and overhead rates are reduced.

Time Statistics, Historical Averages

	2002		2001		2000		1999		1998	
Total Direct Hours	72,804	60.2%	74,356	62.9%	74,675	65.0%	72,795	64.9%	66,352	65.6%
Total Indirect Hours	48,077	39.8%	43,822	37.1%	40,256	35.0%	39,411	35.1%	34,726	34.4%
Total Hours	120,881	100.0%	118,178	100.0%	114,931	100.0%	112,206	100.0%	101,078	100.0%
Indirect Expenses	\$3,411,692		\$3,025,858		\$2,695,060		\$2,553,528		\$2,146,976	
Overhead Rate per Direct Hour	\$49.62		\$44.31		\$40.49		\$38.36		\$34.30	
Breakeven Multiple	2.74		2.60		2.50		2.53		2.48	
Direct Labor Billing Multiple	2.99		3.03		2.93		2.94		2.83	
Total Labor Revenue Multiple	1.77		1.86		1.86					
Average Billing per Direct Hour	\$85.36		\$82.63		\$77.97		\$73.85		\$65.15	
Employees Average Hourly Rate:										
Direct	\$28.57		\$27.17		\$26.47		\$24.94		\$23.03	
Indirect	\$29.70		\$29.04		\$27.06		\$25.91		\$24.75	
Total	\$29.00		\$27.63		\$26.88		\$25.27		\$23.47	
Calculation of Profit per Direct Hour:										
Average Billing	\$85.36		\$82.63		\$77.97		\$73.85		\$65.15	
Direct Labor	(\$28.57)		(\$27.17)		(\$26.47)		(\$24.94)		(\$23.03)	
Overhead	(\$49.62)		(\$44.31)		(\$40.49)		(\$38.36)		(\$34.30)	
Profit/(Loss) Per Direct Hour	<u>\$7.17</u>		<u>\$11.15</u>		<u>\$11.01</u>		<u>\$10.55</u>		<u>\$7.82</u>	

Trend Analysis of Average Profit per Direct Hour



Utilization Rate

Observations:

- In order for owners of firms to achieve meaningful profitability relative to their efforts, it is our opinion that the direct labor utilization rate target should be a minimum of 65% of total firm hours.
- The most notable observation is that the 2002 average direct labor utilization rate decreased again to 60.2%, the lowest since the inception of the survey. This indicates that, on average, firms were overstaffed for the level of work available in 2002. With the industry experiencing a continued decrease in backlog, most firms were still reluctant to reduce staffing levels, hoping that a project on hold would resume or that a new major project would materialize.
- The chargeable hours of owners/principals decreased from 49.2% of their total hours in 2001 to 45% in 2002, a 4.2% decrease. This is the third consecutive decrease, and this year's rate represents the lowest utilization percentage of owners/principals since this statistic has been included in the survey. This statistic is not surprising, since many owners/principals are spending more time with firm management in these challenging economic times. However, as we have stated in the past, a drop below 50% can become a negative influence in a firm's breakeven point and profit-making capability. This change is also seen as an indicator that many firms are becoming top-heavy at the principal level.
- The chargeable hours of professional and administrative staff decreased from 64.2% in 2001 to 62.1% in 2002. This statistic is further evidence of the average surveyed firm's difficulty in managing proper staffing levels.
- The utilization rate of firms with net fee income over six million dollars was very similar to that of firms with net income under six million.

Definitions:

Direct Hours Any hours spent that are considered project-related.

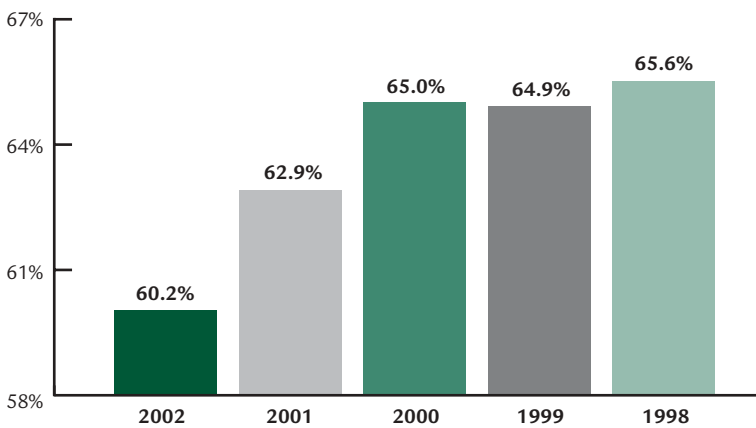
Indirect Hours The total hours spent that are considered administrative and not project-related (e.g., vacation time, administrative time, sick time, job development or marketing).

Utilization Rate The percentage of direct hours as compared to the total hours.

Utilization Rate

	2002	2001	2000	1999	1998	2002 Average of Surveyed Firms with Net Fee Income	
						Over \$6 Million	Under \$6 Million
Total Firm							
Direct	60.2%	62.9%	65.0%	64.9%	65.6%	60.1%	60.8%
Indirect	39.8%	37.1%	35.0%	35.1%	34.4%	39.9%	39.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Principals							
Direct	45.0%	49.2%	50.3%	50.3%	51.6%	44.0%	47.5%
Indirect	55.0%	50.8%	49.7%	49.7%	48.4%	56.0%	52.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Staff							
Direct	62.1%	64.2%	66.2%	69.5%	68.0%	61.8%	62.9%
Indirect	37.9%	35.8%	33.8%	30.5%	32.0%	38.2%	37.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Trend Analysis of the Direct Labor Utilization Rate

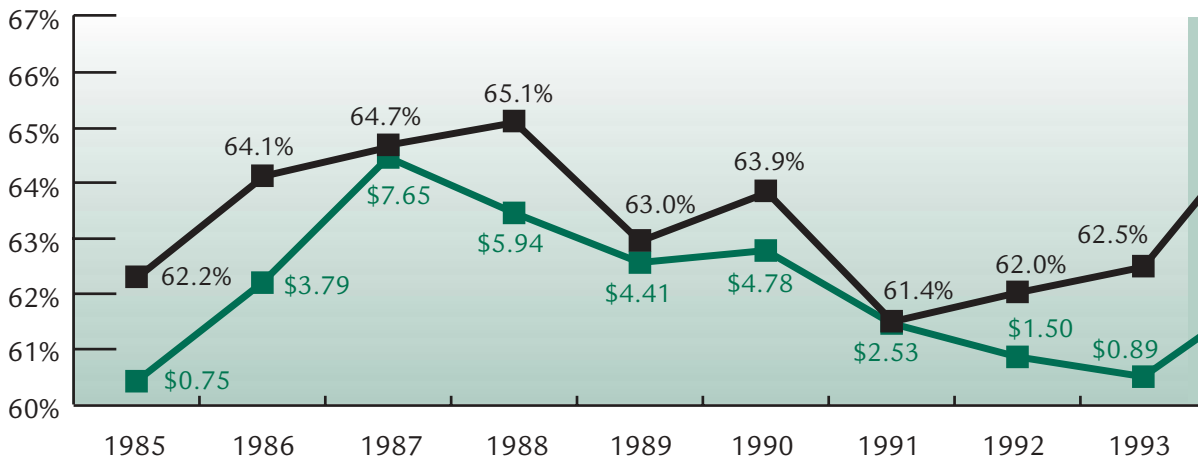


Direct Labor Utilization Rate and Profit per Direct Hour

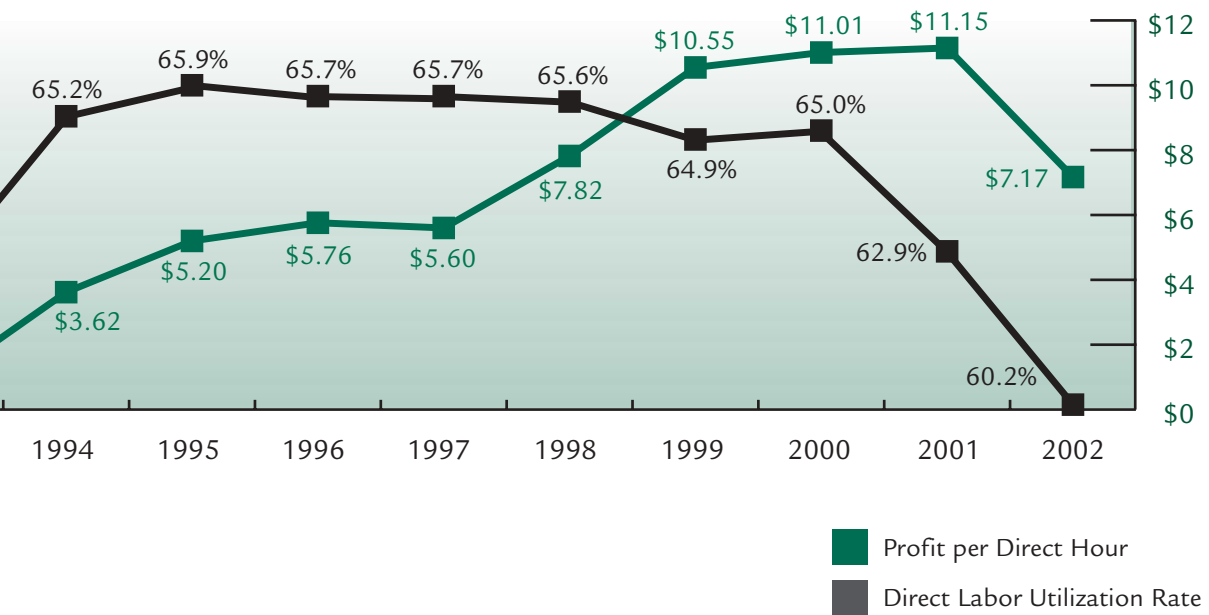
Observations:

1985 – 2002

- For this year's survey, we incorporated the trend of the average direct labor utilization rate and profit per direct hour to demonstrate the clear and consistent correlation between direct labor utilization and profit per direct hour over the history of the survey.
- It is interesting to note that during the depressed economic years of the late 1980's and early 1990's, direct labor utilization reached some of the lowest points in the history of the survey, and not surprisingly, the profit per direct hour also hit some of its lowest points.



- It appears that during the difficult economic periods of the late 1980's through the early 1990's, and more recently during 2001 and 2002, many firms have been slow to adjust staffing levels in response to economic downturns, as evidenced by the significant decreases in the direct labor utilization rates for these periods.



Overhead Rates per Direct Hour

Observations:

- The overhead rate per direct hour in 2002 increased \$5.31, from \$44.31 in 2001 to \$49.62 in 2002. This is the largest single-year increase in the history of the survey. The major components of the increase are as follows:

Indirect payroll and related payroll taxes and employee benefit costs, including health insurance	+ \$3.23
Rent and utilities	+ \$1.39
Other overhead	+ \$0.69
Total increase	+ \$5.31

The decrease in the utilization rate continues to be the major factor contributing to the increase in indirect payroll costs. Also, the decrease in direct hours has a negative impact on this statistic as higher costs are being spread over a smaller number of direct hours.

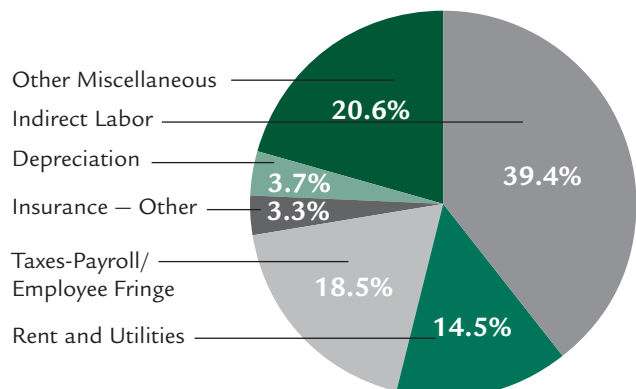
Definitions:

Overhead All costs except direct labor, outside direct consultants, related direct project costs, and reimbursable costs.

Overhead Rate per Direct Hour Explains how much it costs, in dollars, for every direct hour charged to a job. Computed by dividing the overhead by the direct hours.

Breakeven Multiple Ratio calculated by adding direct labor costs and overhead and then dividing the sum by direct labor costs. Multiply the breakeven multiple by an employee's pay rate to determine what you would have to bill out that employee for, on an hourly basis, in order to break even.

Percentage of Total Overhead



Overhead Rates per Direct Hour

	2002			2001
	Overhead per Direct Hour	Percentage		Overhead per Direct Hour
			Breakeven Multiple	
Indirect Labor	\$19.57	39.4%	0.69	\$17.13
Rent and Utilities	7.21	14.5%	0.25	5.82
Taxes-Payroll/Employee Fringe	9.19	18.5%	0.32	8.40
Professional Liability Insurance	1.62	3.26%	0.06	1.45
Insurance-other	0.03	<u>0.06%</u>	0.00	0.02
Depreciation	1.82	3.7%	0.06	1.36
Advertising and Promotion	1.74	3.51%	0.06	1.23
Bad Debts	0.93	1.88%	0.03	0.89
Legal and Accounting	1.75	3.54%	0.06	1.41
Dues and Subscriptions	0.42	0.84%	0.02	0.47
Telephone	0.48	0.96%	0.02	0.52
Taxes-other	0.13	0.27%	0.00	0.08
Maintenance and Repairs	0.36	0.72%	0.01	0.51
Travel and Entertainment	0.93	1.87%	0.03	0.75
Interest	0.15	0.30%	0.01	0.24
Supplies	0.11	0.22%	0.00	0.18
Printing and Reproduction*	0.94	1.90%	0.03	0.17
Computer-Related Expenses	0.62	1.26%	0.02	0.53
Temporary Agency Fees	0.13	0.26%	0.00	0.22
Office Expenses	1.80	3.63%	0.06	1.56
Equipment Rental	0.36	0.73%	0.01	0.65
Expense Recovery*	(1.85)	(3.72%)	(0.06)	—
Other Miscellaneous	<u>1.18</u>	<u>2.41%</u>	<u>20.6%</u>	0.72
Subtotal			1.74	
Direct Labor			<u>1.00</u>	
Total	<u>\$49.62</u>	<u>100.0%</u>	<u>2.74</u>	<u>\$44.31</u>

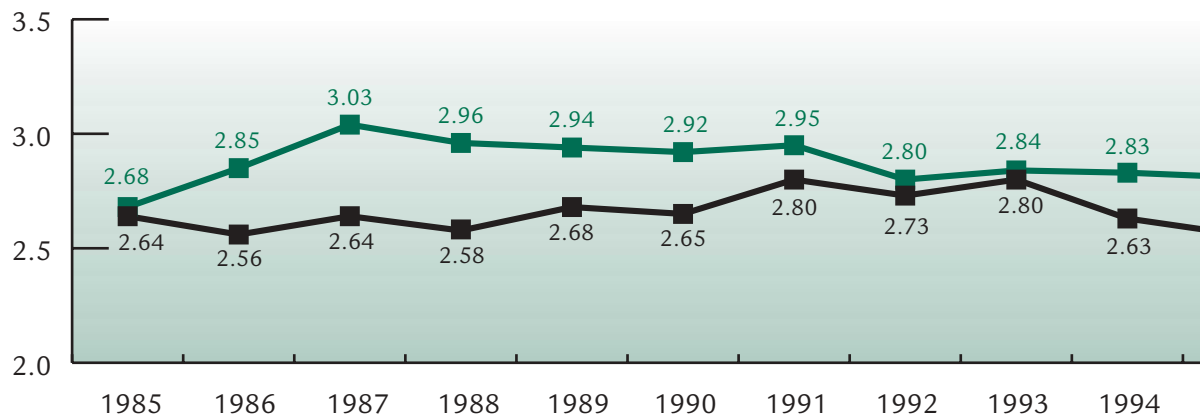
*Expense recovery is a new breakout for 2002 primarily impacting printing and reproduction. 2001 was not adjusted.

Average Direct Labor Billing and Breakeven Multiples

Observations:

2002

- After reaching a survey high in 2001, the direct labor billing multiple decreased slightly from 3.03 to 2.99. The fact that the direct labor billing multiple has remained strong indicates that project management has become a major focus in a stagnant economic environment characterized by competitive bidding.
- The breakeven multiple increased from 2.60 in 2001 to 2.74 in 2002. This is primarily related to the decreased utilization rate and is a major factor in the decrease in profit per direct hour in 2002.
- The spread between the direct labor billing multiple and the breakeven multiple decreased from .43 last year to .25 this year. The impact of this decrease can be seen in the 36% decrease of \$3.98 in profit per direct hour from 2001 to 2002.

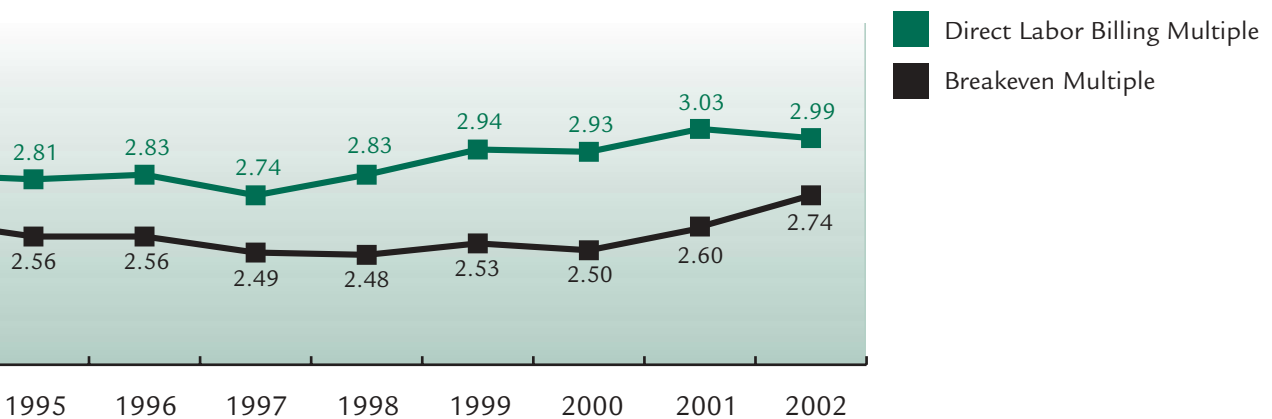


Definitions:

Direct Labor Billing Multiple The average multiple of the employees' direct labor that you achieve. This is computed by dividing the net fee income (i.e., the gross fee income minus all direct and reimbursable expenses excluding labor) by direct labor. This statistic and the breakeven multiple are useful numbers when determining project profitability.

1985 – 2002

- This year's survey includes a trend of the average direct labor billing multiple and breakeven multiples to illustrate the changes in these key indicators over an 18 year period that included two recessions. **It is important to note that the spread between the direct labor billing multiple and the breakeven multiple represents profit.**
- The trends indicate that in order for firms to maintain sustained levels of profitability over time, there clearly needs to be a primary focus on project management while controlling labor and general overhead costs through periods of growth as well as periods of downsizing.
- In years of increased profitability, profit has a direct correlation to a decrease in the breakeven multiple. Since the breakeven multiple is primarily influenced by the utilization rate and chargeability, this is further evidence that the rate of profit per direct hour is most sensitive over time to controlling overhead costs, proper staffing levels and direct labor utilization.



Breakeven Multiple

Ratio calculated by adding direct labor costs and overhead and then dividing the sum by direct labor costs. Multiply the breakeven multiple by an employee's pay rate to determine what you would have to bill out that employee for, on an hourly basis, in order to break even.

Gross Margin Analysis

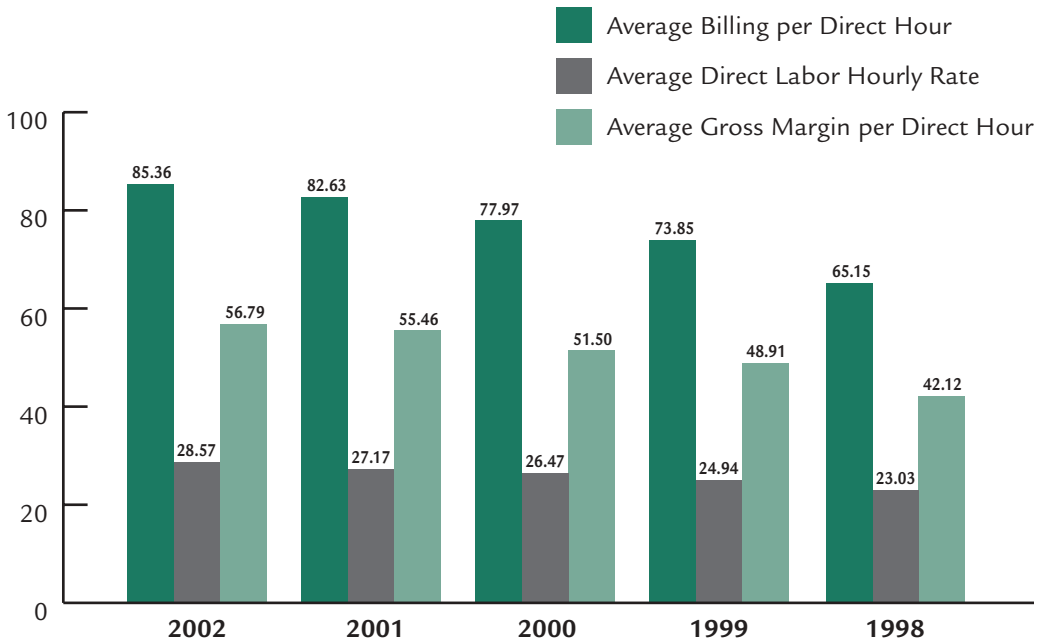
Observations:

- There was little change in the gross margin as a percentage of the average billing per direct hour, which decreased slightly from 67.1% in 2001 to 66.5% in 2002.
- The average gross margin per direct hour increased from \$55.46 in 2001 to \$56.79 in 2002, an increase of 2.4%, compared to a 7.7% increase from 2000 to 2001. The marginal increase is partially attributable to a \$2.73 increase in the average billing rate, which was offset by a \$1.40 increase in average direct labor costs. On average, firms were able to pass on increased direct wage rates by maintaining the direct labor billing multiple.

Definitions:

Average Billing per Direct Hour	The average hourly billing rate achieved. Computed by dividing the net fee income by the direct hours.
Average Direct Labor Hourly Rate	Computed by dividing the direct labor payroll by the direct hours.
Average Gross Margin per Direct Hour	Average billing per direct hour less the average direct labor hourly rate.

Gross Margin Analysis



Year	Average Billing per Direct Hour	Average Direct Labor Hourly Rate	Average Gross Margin per Direct Hour
2002	85.36	28.57	56.79
2001	82.63	27.17	55.46
2000	77.97	26.47	51.50
1999	73.85	24.94	48.91
1998	65.15	23.03	42.12

Operational Averages

Observations:

- Average billing rates increased for principals and senior associates by 6.3% and 3.2%, respectively. Average billing rates for senior architects, architects, and draftspersons increased between 3% and 6%, which were lower for all staffing levels than the increases in 2001. Average billing rates for firms with net fee income greater than six million dollars were higher for all classifications other than draftspersons. Most notable were billing rates for principals and senior associates for firms with net fee income greater than 6 million dollars, which were 17.6% and 16.2% higher than those for firms with net fee income less than six million dollars respectively.
- The average net fee income for all firms surveyed was \$6,147,135, a 4% increase. The average net fee income for firms with over six million dollars was \$9,082,934, while the average net fee income for firms with less than six million was \$2,677,553.
- The total average compensation after bonus per owner increased 4% from \$235,157 in 2001 to \$244,487 in 2002.
- The average net fee income per employee increased to \$108,355 in 2002, up from \$107,376 in 2001. The average net fee income per employee in firms with net income over six million dollars was \$119,642, whereas the average net fee income per employee for firms with net income under six million dollars was \$96,042.

Definitions:

- Gross Billings** The total firm billings, including billings for reimbursable expenses.
- Net Fee Income** Equal to the gross billings less all direct and reimbursable expenses (excluding direct labor).

Operational Averages

	2002	2001	2000	2002 Average of Surveyed Firms with Net Fee Income	
				Over \$6 Million	Under \$6 Million
Gross Revenue	\$9,281,376	\$9,160,186	\$8,658,514	\$13,778,561	\$3,966,521
Net Fee Income	\$6,147,135	\$5,894,932	\$5,482,133	\$9,082,934	\$2,677,553
Average Net Fee Income per Employee	\$108,355	\$107,376	\$108,647	\$119,642	\$96,042
Average Compensation per Owner					
Before Bonus	\$116,448	\$125,756	\$120,769	\$110,011	\$123,470
After Bonus	\$244,487	\$235,157	\$235,171	\$308,359	\$174,808
Ratio of Principals per Total Firm	10.6%	9.3%	8.9%	11.3%	10.3%
Average Billing Rates:					
Principals	\$186	\$175	\$172	\$200	\$170
Senior Associates/Project Managers	\$128	\$124	\$119	\$136	\$117
Senior Architects	\$108	\$103	\$94	\$112	\$105
Architects	\$90	\$85	\$78	\$94	\$86
Technical Professionals/Draftspersons	\$69	\$67	\$63	\$69	\$69
Average Number of Employees:					
Principals	5			8	3
Information Technology	1			2	1
Finance	2			3	2
Human Resources	1			1	1
Technical Staff	32			49	18
Other Staff	6			8	4
Total Employees	47			71	29

Key Balance Sheet Ratios

Observations:

- The average current ratio (excluding deferred taxes) remained relatively unchanged at 1.8 to 1. This indicates that the average firm has 1.8 times the current assets needed to meet its obligations due within one year.
- Working capital as a percentage of net fee income (without deferred taxes) increased from 21.8% in 2001 to 22.5% in 2002.
- The average firm leverage without deferred taxes improved slightly from 1.9 to 1 in 2001 to 1.7 to 1 in 2002.
- The average days outstanding increased from 103.4 days in 2001 to 109.8 days in 2002.

Definitions:

Current Ratio	Indication of the ability of a firm to pay current liabilities as they mature, calculated by dividing current assets by current liabilities. A ratio of 1:1 or greater corresponds to positive net working capital.
Working Capital	Indication of the ability of a firm to meet short-term obligations, reporting the excess of current assets over current liabilities.
Leverage Ratio	Total liabilities divided by equity. The greater the ratio, the “more leveraged” the company.
High/Low Range	The high/low range represents the second highest/lowest of the 24 firms participating in our survey.
Deferred Taxes	For the purposes of this survey, deferred taxes represent the difference between financial statement and tax reporting for firms that are primarily C-corporations and report taxes on the cash basis method.

Key Balance Sheet Ratios

	2002	2001	Range of Surveyed Firms	
			<i>High</i>	<i>Low</i>
Current Ratio				
With Deferred Taxes	1.5:1	1.6:1	2.7:1	0.9:1
Without Deferred Taxes	1.8:1	2.0:1	3.9:1	0.0:1
Working Capital as a Percentage of Net Fee				
With Deferred Taxes	17.1%	16.5%	48.0%	(4.8%)
Without Deferred Taxes	22.5%	21.8%	48.1%	3.9%
Leverage - Ratio of Liabilities to Equity				
With Deferred Taxes	3.8:1	3.7:1	11.7:1	0.4:1
Without Deferred Taxes	1.7:1	1.9:1	5.4:1	0.3:1
Monthly Average Accounts Receivable as a Percentage of Gross Fee	35.7%	32.1%	45.1%	24.3%
Ratio of Monthly Accounts Receivable to Net Worth	0.5:1	2.3:1	1.5:1	0.1:1
Average Days Outstanding	109.8	103.4	159.0	75.1

Average Accounts Receivable

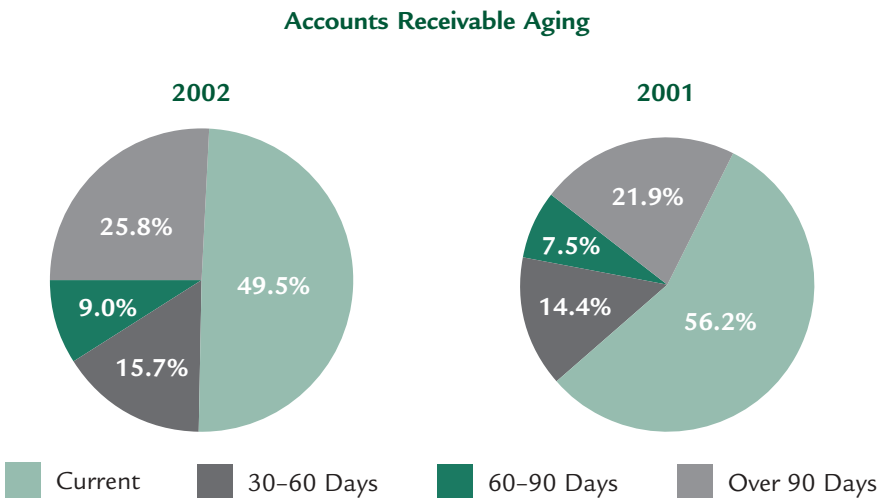
Observations:

- As expected during difficult economic times, average days outstanding increased from 103.4 days in 2001 to 109.8 days in 2002, a 6% increase. This represents a reduction of cash flow, which firms cannot afford to make a trend in the future.
- Only eight of the 24 firms surveyed had average days outstanding less than 90 days.
- We believe that firms should target an average days outstanding of under 90 days in order to maximize cash flows. Firms that are able to consistently achieve this target tend to have higher paid principals and greater flexibility to make financial decisions.
- Given the currently sluggish economy, we continue to encourage our clients to involve principals and project managers in collection efforts as well as in developing strong relationships with clients in order to facilitate the collection of the firm's accounts receivable.

Definitions:

Average Days Outstanding

Measurement of the number of days fees have remained uncollected in average accounts receivable. Computed by dividing the monthly accounts receivable average by the gross billings divided by 365.



Questionnaire

Tofias PC's annual Architectural Survey serves as an informative tool to help architectural firms benchmark their financial results against those of the industry. With this knowledge, firms can find ways to strengthen their financial position.

The feedback you provide is important to the development of the survey. We want to make this the most useful tool that it can be. Please take a moment to complete this questionnaire.

Contact Information

Name _____

Company _____

Address _____

City, State, Zip _____

Work Phone _____ Fax _____ E-mail _____

I would like to receive the 2004 Architectural Survey. Please add me to your mailing list.

Please rank each of the following using the scale from 5 (strongly agree) to 1 (strongly disagree).

Circle the appropriate number

- | | | | | | | |
|--|---|---|---|---|---|-----|
| 1. The information in the survey was relevant to my firm. | 5 | 4 | 3 | 2 | 1 | N/A |
| 2. The information was beneficial to my firm. | 5 | 4 | 3 | 2 | 1 | N/A |
| 3. The format of the survey was appropriate. | 5 | 4 | 3 | 2 | 1 | N/A |
| 4. I found the narratives to be informative. | 5 | 4 | 3 | 2 | 1 | N/A |
| 5. The addition of the over and under six million dollars in net fees breakout was beneficial. | 5 | 4 | 3 | 2 | 1 | N/A |
| 6. The addition of the two 18-year trend graphs (pgs. 10-11, 14-15) were informative. | 5 | 4 | 3 | 2 | 1 | N/A |

7. What is your overall opinion of the 2003 Survey? _____

8. What information would you like added to the 2004 Survey? _____

9. Other comments or suggestions? _____

Complete this form and mail or fax to:

Tofias PC, Attn: Marketing
350 Massachusetts Avenue, Cambridge, MA 02139
Fax: 617.761.0601 Phone: 888.761.8835

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