

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2020**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-7525

The Goldfield Corporation

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction
of incorporation or organization)*

88-0031580

*(I.R.S. Employer
Identification No.)*

**1684 W. Hibiscus Boulevard
Melbourne, Florida 32901**

(Address of principal executive offices) (Zip Code)

(321) 724-1700

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the Registrant's Common Stock outstanding as of November 2, 2020 was 24,522,534.

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.10 per share	GV	NYSE American

THE GOLDFIELD CORPORATION AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2020
TABLE OF CONTENTS

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	1
<u>Item 1. Consolidated Financial Statements (Unaudited).</u>	1
<u>Consolidated Balance Sheets</u>	1
<u>Consolidated Statements of Income</u>	2
<u>Consolidated Statements of Cash Flows</u>	3
<u>Consolidated Statements of Stockholders' Equity</u>	4
<u>Notes to Consolidated Financial Statements</u>	5
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	18
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk.</u>	31
<u>Item 4. Controls and Procedures.</u>	31
<u>PART II. OTHER INFORMATION</u>	32
<u>Item 1. Legal Proceedings.</u>	32
<u>Item 1A. Risk Factors.</u>	32
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.</u>	32
<u>Item 3. Defaults Upon Senior Securities.</u>	32
<u>Item 4. Mine Safety Disclosures.</u>	32
<u>Item 5. Other Information.</u>	33
<u>Item 6. Exhibits.</u>	33
<u>SIGNATURES</u>	34

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED).

**THE GOLDFIELD CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)**

	September 30, 2020	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 20,593,879	\$ 23,272,156
Accounts receivable and accrued billings	27,483,338	23,930,655
Costs and estimated earnings in excess of billings on uncompleted contracts	24,328,912	9,321,368
Income taxes receivable	562,508	1,482,618
Residential properties under construction	919,020	2,060,364
Prepaid expenses	1,216,441	924,733
Other current assets	578,805	46,186
Total current assets	<u>75,682,903</u>	<u>61,038,080</u>
Property, buildings and equipment, at cost, net of accumulated depreciation of \$59,627,075 in 2020 and \$51,904,568 in 2019	<u>59,166,078</u>	<u>55,073,579</u>
Deferred charges and other assets		
Land and land development costs	4,457,410	5,060,581
Cash surrender value of life insurance	92,187	543,433
Goodwill	101,407	101,407
Intangibles, net of accumulated amortization of \$429,926 in 2020 and \$384,801 in 2019	583,874	628,999
Operating lease right-of-use assets	19,231,952	6,861,099
Other assets	130,000	60,000
Total deferred charges and other assets	<u>24,596,830</u>	<u>13,255,519</u>
Total assets	<u>\$ 159,445,811</u>	<u>\$ 129,367,178</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 16,355,664	\$ 13,881,277
Billings in excess of costs and estimated earnings on uncompleted contracts	1,227,268	731,492
Current portion of operating lease liability	3,881,692	1,880,957
Current portion of notes payable, net	13,895,635	7,769,497
Accrued remediation costs	80,420	75,545
Total current liabilities	<u>35,440,679</u>	<u>24,338,768</u>
Deferred income taxes	10,078,684	9,008,765
Accrued remediation costs, less current portion	389,950	398,877
Notes payable, less current portion, net	26,388,948	24,402,926
Operating lease liabilities	15,723,328	4,987,088
Other accrued liabilities	150,000	60,000
Total liabilities	<u>88,171,589</u>	<u>63,196,424</u>
Commitments and contingencies (notes 4 and 6)		
Stockholders' equity		
Preferred stock, \$1 par value, 5,000,000 shares authorized, none issued		
Common stock, \$.10 par value, 40,000,000 shares authorized; 27,813,772 shares issued; 24,522,534 shares outstanding in 2020 and in 2019.	2,781,377	2,781,377
Additional paid-in capital	18,551,959	18,481,683
Retained earnings	53,380,990	48,347,798
Treasury stock, 3,291,238 shares in 2020 and in 2019, at cost	<u>(3,440,104)</u>	<u>(3,440,104)</u>
Total stockholders' equity	<u>71,274,222</u>	<u>66,170,754</u>
Total liabilities and stockholders' equity	<u>\$ 159,445,811</u>	<u>\$ 129,367,178</u>

See accompanying notes to consolidated financial statements

THE GOLDFIELD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue				
Electrical construction	\$ 48,056,897	\$ 43,182,197	\$ 137,794,907	\$ 123,773,883
Real estate development	364,900	1,550,684	3,250,563	12,819,473
Total revenue	<u>48,421,797</u>	<u>44,732,881</u>	<u>141,045,470</u>	<u>136,593,356</u>
Costs and expenses				
Electrical construction	39,640,718	36,789,515	114,042,479	105,597,926
Real estate development	244,813	1,031,373	2,187,998	9,360,449
Selling, general and administrative	3,633,799	2,162,360	8,581,365	7,033,244
Depreciation and amortization	3,056,457	2,728,988	8,950,772	8,048,549
(Gain) loss on sale of property and equipment	(25,831)	(45,504)	2,915	(77,571)
Total costs and expenses	<u>46,549,956</u>	<u>42,666,732</u>	<u>133,765,529</u>	<u>129,962,597</u>
Total operating income	<u>1,871,841</u>	<u>2,066,149</u>	<u>7,279,941</u>	<u>6,630,759</u>
Other income (expense), net				
Interest income	29,245	28,311	58,939	71,082
Interest expense, net of amount capitalized	(215,063)	(367,244)	(761,118)	(1,130,798)
Other income, net	38,195	27,199	121,199	91,736
Total other expense, net	<u>(147,623)</u>	<u>(311,734)</u>	<u>(580,980)</u>	<u>(967,980)</u>
Income before income taxes	1,724,218	1,754,415	6,698,961	5,662,779
Income tax provision	632,467	592,413	1,665,769	1,902,034
Net income	<u>\$ 1,091,751</u>	<u>\$ 1,162,002</u>	<u>\$ 5,033,192</u>	<u>\$ 3,760,745</u>
Net income per share of common stock — basic	\$ 0.04	\$ 0.05	\$ 0.21	\$ 0.15
Net income per share of common stock — diluted	\$ 0.04	\$ 0.05	\$ 0.21	\$ 0.15
Weighted average shares outstanding				
Basic	24,522,534	24,522,534	24,522,534	24,523,731
Diluted	24,554,324	24,522,534	24,533,208	24,523,731

See accompanying notes to consolidated financial statements

THE GOLDFIELD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities		
Net income	\$ 5,033,192	\$ 3,760,745
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	8,950,772	8,048,549
Amortization of debt issuance costs	24,660	22,500
Deferred income taxes	1,069,919	1,685,510
Loss (gain) on sale of property and equipment	2,915	(77,571)
Other losses	215,446	2,572
Stock-based compensation expense	70,276	—
Changes in operating assets and liabilities		
Accounts receivable and accrued billings	(3,316,883)	(932,038)
Costs and estimated earnings in excess of billings on uncompleted contracts	(15,007,544)	(1,158,343)
Residential properties under construction	1,141,344	6,839,119
Income taxes receivable	920,110	(263,507)
Prepaid expenses and other assets	(894,327)	1,141,340
Land and land development costs	603,171	(304,998)
Accounts payable and accrued liabilities	2,277,325	1,878,771
Operating leases	366,122	(18,609)
Billings in excess of costs and estimated earnings on uncompleted contracts	495,776	(228,688)
Accrued remediation costs	(4,052)	(22,519)
Net cash provided by operating activities	<u>1,948,222</u>	<u>20,372,833</u>
Cash flows from investing activities		
Proceeds from disposal of property and equipment	259,360	399,817
Purchases of property, buildings and equipment	(12,973,359)	(16,156,893)
Net cash used in investing activities	<u>(12,713,999)</u>	<u>(15,757,076)</u>
Cash flows from financing activities		
Purchases of treasury stock	—	(161,285)
Proceeds from notes payable	14,500,000	15,500,000
Repayments on notes payable	(6,412,500)	(10,382,000)
Other long-term debt repayments	—	(297,599)
Debt issuance costs	—	(57,883)
Net cash provided by financing activities	<u>8,087,500</u>	<u>4,601,233</u>
Net (decrease) increase in cash and cash equivalents	<u>(2,678,277)</u>	<u>9,216,990</u>
Cash and cash equivalents at beginning of the period	23,272,156	11,402,353
Cash and cash equivalents at end of the period	<u>\$ 20,593,879</u>	<u>\$ 20,619,343</u>
Supplemental disclosure of cash flow information		
Interest paid, net of amounts capitalized	<u>\$ 762,983</u>	<u>\$ 1,107,666</u>
Income taxes (refunded) paid, net	<u>\$ (324,260)</u>	<u>\$ 480,031</u>
Supplemental disclosure of non-cash investing		
Liability for equipment acquired	<u>\$ 411,240</u>	<u>\$ 809,521</u>
Right-of-use asset obtained in exchange for operating lease obligations	<u>\$ 14,310,658</u>	<u>\$ 4,215,378</u>

See accompanying notes to consolidated financial statements

THE GOLDFIELD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

Three Months Ended September 30, 2020

	Common stock		Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders' equity
	Shares	Amount				
Balance as of June 30, 2020	27,813,772	\$ 2,781,377	\$ 18,481,683	\$ 52,289,239	\$ (3,440,104)	\$ 70,112,195
Stock-based compensation			70,276			70,276
Net income				1,091,751		1,091,751
Balance as of September 30, 2020	<u>27,813,772</u>	<u>\$ 2,781,377</u>	<u>\$ 18,551,959</u>	<u>\$ 53,380,990</u>	<u>\$ (3,440,104)</u>	<u>\$ 71,274,222</u>

Three Months Ended September 30, 2019

	Common stock		Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders' equity
	Shares	Amount				
Balance as of June 30, 2019	27,813,772	\$ 2,781,377	\$ 18,481,683	\$ 44,219,934	\$ (3,440,104)	\$ 62,042,890
Repurchase of stock						
Net income				1,162,002		1,162,002
Balance as of September 30, 2019	<u>27,813,772</u>	<u>\$ 2,781,377</u>	<u>\$ 18,481,683</u>	<u>\$ 45,381,936</u>	<u>\$ (3,440,104)</u>	<u>\$ 63,204,892</u>

Nine Months Ended September 30, 2020

	Common stock		Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders' equity
	Shares	Amount				
Balance as of December 31, 2019	27,813,772	\$ 2,781,377	\$ 18,481,683	\$ 48,347,798	\$ (3,440,104)	\$ 66,170,754
Stock-based compensation			70,276			70,276
Net income				5,033,192		5,033,192
Balance as of September 30, 2020	<u>27,813,772</u>	<u>\$ 2,781,377</u>	<u>\$ 18,551,959</u>	<u>\$ 53,380,990</u>	<u>\$ (3,440,104)</u>	<u>\$ 71,274,222</u>

Nine Months Ended September 30, 2019

	Common stock		Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders' equity
	Shares	Amount				
Balance as of December 31, 2018	27,813,772	\$ 2,781,377	\$ 18,481,683	\$ 41,621,191	\$ (3,278,819)	\$ 59,605,432
Repurchase of stock					(161,285)	(161,285)
Net income				3,760,745		3,760,745
Balance as of September 30, 2019	<u>27,813,772</u>	<u>\$ 2,781,377</u>	<u>\$ 18,481,683</u>	<u>\$ 45,381,936</u>	<u>\$ (3,440,104)</u>	<u>\$ 63,204,892</u>

See accompanying notes to consolidated financial statements

THE GOLDFIELD CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1 – Organization and Summary of Significant Accounting Policies

Overview

The Goldfield Corporation (the “Company”) was incorporated in Wyoming in 1906 and subsequently reincorporated in Delaware in 1968. The Company’s principal line of business is the construction of electrical infrastructure for the utility industry and industrial customers. The Company is also engaged in real estate development operations. The principal market for the Company’s electrical construction operation is primarily in the Southeast, mid-Atlantic and Texas-Southwest regions of the United States. The Company’s real estate development operation is along the east coast of Central Florida.

Basis of Financial Statement Presentation

In the opinion of management, the accompanying unaudited interim consolidated financial statements include all adjustments necessary to present fairly the Company’s financial position, results of operations, and changes in cash flows for the interim periods reported. These adjustments are of a normal recurring nature. All consolidated financial statements presented herein are unaudited with the exception of the consolidated balance sheet as of December 31, 2019, which was derived from the audited consolidated financial statements. The results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the year. These statements should be read in conjunction with the consolidated financial statements included in the Company’s annual report on Form 10-K for the year ended December 31, 2019.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is the Company’s best estimate of the amount of probable credit losses in the Company’s existing accounts receivable. The Company determines the allowance based on customer specific information and historical write-off experience. The Company reviews its allowance for doubtful accounts quarterly. Account balances are charged off against the allowance after reasonable means of collection have been exhausted and the potential for recovery is considered remote. As of September 30, 2020 and December 31, 2019, upon its review, management determined it was not necessary to record an allowance for doubtful accounts due to the majority of accounts receivable being generated by electrical utility customers whom the Company considers creditworthy based on timely collection history and other considerations.

Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates. Management considers the most significant estimates in preparing these consolidated financial statements to be the estimated costs at completion of electrical construction contracts in progress.

Fair Value of Financial Instruments

The Company’s financial instruments include cash and cash equivalents, accounts receivable and accrued billings, income tax receivable, cash surrender value of life insurance policies, accounts payable and notes payable.

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value guidance establishes a valuation hierarchy, which requires maximizing the use of observable inputs when measuring fair value.

The three levels of inputs that may be used are:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or other observable inputs.

Level 3 - Significant unobservable inputs that cannot be corroborated by observable market data. These values are generally determined using valuation models incorporating management’s estimates of market participant assumptions.

Fair values of financial instruments are estimated through the use of public market prices, quotes from financial institutions, and other available information. Management considers the carrying amounts reported on the consolidated balance sheets for cash and cash equivalents, accounts receivable and accrued billings, income tax receivable, accounts payable and accrued liabilities, to approximate fair value due to the immediate or short-term maturity of these financial instruments. The Company's carrying value of long-term notes payable are estimated by management to approximate fair value since the interest rates prescribed by Truist Bank are variable market interest rates and are adjusted periodically, and as such, are classified as Level 2. The carrying value of cash surrender value of life insurance is considered by management to approximate fair value as the carrying value is based on the current settlement value under the contract, as provided by the carrier and as such, is classified as Level 2.

Land and Land Development Costs and Residential Properties Under Construction

The costs of a land purchase and any development expenses up to the initial construction phase of any residential property development project are recorded under the asset "land and land development costs." Once construction commences, both the land development costs and construction costs are recorded under the asset "residential properties under construction." The assets "land and land development costs" and "residential properties under construction" relating to specific projects are recorded as current assets when the estimated project completion date is less than one year from the date of the consolidated financial statements, or as non-current assets when the estimated project completion date is one year or more from the date of the consolidated financial statements.

In accordance with Accounting Standards Codification ("ASC") 360-10, *Accounting for the Impairment or Disposal of Long-lived Assets*, land and residential properties under construction are reviewed by the Company for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the carrying amount or basis is not expected to be recovered, impairment losses are recorded and the related assets are adjusted to their estimated fair value. The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, other than in a forced or liquidation sale. The Company also complies with ASC 820, *Fair Value Measurement*, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Company did not record an impairment write-down to its land, land development costs or residential properties under construction carrying value for either of the three or nine months ended September 30, 2020 and 2019.

Goodwill and Intangible Assets

Intangible assets with finite useful lives recorded in connection with a historical acquisition are amortized over the term of the related contract or useful life, as applicable. Intangible assets held by the Company with finite useful lives include customer relationships and trademarks. The Company reviews the values recorded for intangible assets and goodwill to assess recoverability from future operations annually or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. As of December 31, 2019, the Company assessed the recoverability of its long-lived assets and goodwill, by reviewing relevant events and circumstances to evaluate the qualitative factors in addition to the quantitative impairment test. As a result, there was no impairment of the carrying amounts of such assets. There were no events or changes in circumstances as of September 30, 2020 that would indicate that the carrying amounts may not be recoverable.

Share-Based Compensation

The Company recognizes the cost of employee service received in exchange for awards of equity instruments based on the grant date fair value of those awards. The Company recognizes compensation expense on a straight-line basis over the employee service period for awards granted. The Company does not estimate forfeitures when recognizing compensation expense. Forfeitures are accounted for as they occur. Outstanding unvested restricted stock units are not included in common stock outstanding amounts.

Recent Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-04, which eliminates Step 2 of the current goodwill impairment test. A goodwill impairment loss will instead be measured at the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the recorded amount of goodwill allocated to that reporting unit. The provisions of this ASU are effective for years beginning after December 15, 2019, with early adoption permitted for any impairment test performed on testing dates after January 1, 2017. The Company adopted ASU 2017-04 on January 1, 2020 and the adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

In June 2016 the FASB issued ASU-2016-13, Financial Instruments – Credit Losses. This update required immediate recognition of management's estimates of current expected credit losses. This update was effective for the Company in the first quarter of 2020. The adoption of ASU 2016-13 did not have a significant impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU-2019-12, Income Taxes: Simplifying the Accounting for Income Taxes, which will be effective for the Company in fiscal year 2021. This update simplifies the accounting for interim period tax law changes and loss limitations, ownership changes in equity investments, intraperiod tax allocations and the step up of tax basis in goodwill that is not acquired during a business combination. ASU-2019-12 will be adopted in 2021 and is not expected to have a significant impact on the Company's consolidated financial statements.

In March 2020, the FASB issued ASU 2020-4, Reference Rate Reform, Facilitation of the Effects of Reference Rate Reform on Financial Reporting. In response to concerns about structural risks of interbank offered rates including the risk of cessation of the London Interbank Offered Rate (LIBOR), regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable and less susceptible to manipulation. The provisions of this ASU are elective and apply to all entities, subject to meeting certain criteria, that have debt or hedging contracts and other contracts that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. This ASU, among other things, provides optional expedients and exceptions to applying certain U.S. generally accepted accounting principles requirements in order to ease the potential burden in accounting for the effects of reference rate reform on financial reporting. ASU 2020-04 is effective for all entities as of March 12, 2020 through December 31, 2022. The Company may elect to apply the amendments prospectively through December 31, 2022. The Company is currently evaluating the impact of this accounting guidance.

COVID-19

The Company did not incur significant disruptions to its operations during the nine months ended September 30, 2020 from COVID-19. At this time, the Company is unable to predict the impact that COVID-19 will have on its consolidated financial statements in future periods due to numerous uncertainties. The Company is closely monitoring its efforts to manage the impact of the pandemic on all aspects of the Company's business and consolidated financial statements. Please refer to Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations* and Item 1A. *Risk Factors* for additional Risk Factors added by the Company regarding COVID-19.

Note 2 – Contract Assets and Contract Liabilities

The following table presents the net contract assets and liabilities for the electrical construction operations as of the dates indicated:

	September 30, 2020	December 31, 2019	\$ Change
Contract assets (1)	\$ 24,328,912	\$ 9,321,368	\$ 15,007,544
Contract liabilities (2)	(1,383,829)	(1,008,679)	(375,150)
Net contract assets	<u>\$ 22,945,083</u>	<u>\$ 8,312,689</u>	<u>\$ 14,632,394</u>

(1) Contract assets consist of amounts under the caption "Costs and estimated earnings in excess of billings on uncompleted contracts."

(2) Contract liabilities consist of the aggregate of amounts presented under the caption "Billings in excess of costs and estimated earnings on uncompleted contracts" and any contract loss accruals included in "Accounts payable and accrued liabilities."

[Table of Contents](#)

The following table presents the changes in the net contract assets and liabilities for the electrical construction operations for the nine months ended September 30, 2020:

	\$ Change
Cumulative adjustment due to changes in contract values ⁽¹⁾	\$ 2,332,735
Cumulative adjustment due to changes in estimated costs at completion	(996,012)
Revenue recognized in the period	111,819,753
Amounts reclassified to receivables	(98,644,708)
Impairment of contract assets ⁽²⁾	120,626
Total	\$ 14,632,394

⁽¹⁾ Amount attributable to contract modifications accounted for on a cumulative catch-up basis where the customer has approved a change in the scope or price of the contract, where the modification is treated as part of the existing contract and where the remaining goods and services are not distinct.

⁽²⁾ Adjustment amount due to changes in contract losses.

For the nine months ended September 30, 2020, \$0.4 million of the total revenue recognized in the current period was attributable to the contract liability billings in excess of costs and estimated earnings on uncompleted contracts' balance as of December 31, 2019.

Note 3 – Income Taxes

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted as a response to the economic uncertainty resulting from the COVID-19 pandemic. The CARES Act includes modifications for net operating loss carrybacks and carryforwards, limitations of business interest expense for tax, immediate refund of alternative minimum tax credit carryovers as well as a technical correction to the Tax Cuts and Jobs Act of 2017 for qualified improvement property. Specifically, the CARES Act allows corporate taxpayers to carryback net operating losses originating during 2018 through 2020 for up to five years when the maximum tax rate was 35%. The enactment of the CARES Act has resulted in a material benefit to the Company’s income tax provision for the nine months ended September 30, 2020.

The ultimate impact of the CARES Act may differ from this estimate due to changes in interpretations and assumptions, guidance that may be issued and actions the Company may take in response to the CARES Act. The Company will continue to assess the impact that various provisions will have on its business.

The following table presents the provision for income tax and the effective tax rates from continuing operations for the dates as indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Income tax provision	\$ 632,467	\$ 592,413	\$ 1,665,769	\$ 1,902,034
Effective income tax rate	36.7 %	33.8 %	24.9 %	33.6 %

Prior to adjustments to reflect the impact of the enactment of the CARES Act in March 2020, the Company’s expected tax rate for the year ending December 31, 2020, calculated based on the estimated annual operating results for the year, was 32.2%. However, due to the favorable impact of discrete items of 4.9%, the majority of which are related to the CARES Act, the resulting expected annual rate is 27.3%. The expected tax rate differs from the federal statutory rate of 21% due to nondeductible expenses and state income taxes offset by discrete items.

The Company’s effective tax rate for the three months ended September 30, 2020 was 36.7% and differs from the federal statutory rate of 21% due to nondeductible expenses and state income taxes offset by the impact of discrete items totaling \$492,000. The discrete items were recorded in connection with the net operating loss carryback provisions of the CARES Act and to a lesser extent a state mandated income tax refund. The effective tax rate is higher than our expected annual tax rate of 27.3% due to current quarter increases in discrete items and nondeductible expenses in relation to expected income from prior quarters. The Company’s effective tax rate for the nine months ended September 30, 2020 was 24.9% and differs from the federal statutory rate of 21% due to nondeductible expenses and state income taxes offset by the impact of discrete items. It is lower than the expected annual tax rate of 27.3% due to the impact of discrete items reported, which will reduce over the year. The effective tax rate for the three and nine months ended September 30, 2019 was 33.8% and 33.6%, respectively, which differed from the federal statutory rate of 21% due to

nondeductible expenses and state income taxes. The decrease in the 2020 expected tax rate when compared to 2019 is attributable to the effects of the CARES Act and other discrete items.

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes*, which establishes the recognition requirements. Deferred tax assets and liabilities are recognized for the future tax effects attributable to temporary differences and carryforwards between the consolidated financial statement carrying amounts of existing assets and liabilities and the respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

As of September 30, 2020, the Company's deferred tax liabilities are primarily comprised of tax depreciation in excess of book depreciation and are offset by deferred tax assets, largely comprised of state bonus depreciation carryovers, accrued vacation, inventory adjustments, lease liabilities reduced by right-of-use assets and accrued remediation costs. The carrying amounts of deferred tax assets are reduced by a valuation allowance, if based on the available evidence, it is more likely than not such assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the deferred tax assets are expected to be recovered or settled. In the assessment for a valuation allowance, appropriate consideration is given to positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability and tax planning alternatives. If the Company determines it will not be able to realize all or part of the deferred tax assets, a valuation allowance would be recorded to reduce deferred tax assets to the amount that is more likely than not to be realized.

Based on assumptions with respect to forecasts of future taxable income and tax planning, among others, the Company anticipates being able to generate sufficient taxable income to utilize the deferred tax assets. Therefore, the Company has not recorded a valuation allowance against deferred tax assets. The minimum amount of future taxable income required to be generated to fully realize the deferred tax assets as of September 30, 2020 is approximately \$3.5 million.

The Company has gross unrecognized tax benefits of \$800 and \$4,000 as of September 30, 2020 and December 31, 2019, respectively. The Company believes that it is reasonably possible that the liability for unrecognized tax benefits related to certain state income tax matters may be settled within the next twelve months. The federal statute of limitation has expired for tax years prior to 2015 and relevant state statutes vary. The Company is currently not under any income tax audits or examinations and does not expect the assessment of any significant additional tax in excess of amounts provided.

The Company accrues interest and penalties related to unrecognized tax benefits as interest expense and other general and administrative expenses, respectively, and not as a component of income taxes.

Note 4 – Commitments and Contingencies Related to Discontinued Operations

Discontinued operations represent former mining activities, the last of which ended in 2002. Pursuant to an agreement with the United States Environmental Protection Agency (the "EPA"), the Company performed certain remediation actions at a property sold over fifty years ago. This remediation work was completed by September 30, 2015. The Company has established a contingency provision related to discontinued operations, which was \$0.5 million as of both September 30, 2020 and December 31, 2019. No change to the provision was required for either of the three or nine months ended September 30, 2020 or 2019.

The remaining balance of the accrued remediation costs as of September 30, 2020 mainly represents estimated future charges for EPA response costs, monitoring of the property, and legal costs. The total costs to be incurred in future periods may vary from this estimate. The amounts recorded in the aforementioned contingency provision are not discounted. The provision will be reviewed periodically based upon facts and circumstances available at the time.

Note 5 – Notes Payable

The following table presents the balances of notes payable as of the dates indicated:

	Truist Bank	Maturity Date	September 30, 2020	December 31, 2019	Interest Rates	
					September 30, 2020	December 31, 2019
Working Capital Loan		November 28, 2021	\$ 10,000,000	—	1.96 %	— %
\$38.2 Million Equipment Loan		March 9, 2024	26,394,000	32,244,000	1.96 %	3.52 %
\$ 4.5 Million Equipment Loan		March 7, 2024	3,937,500	—	1.96 %	— %
Total notes payable			40,331,500	32,244,000		
Less unamortized debt issuance costs			46,917	71,577		
Total notes payable, net			40,284,583	32,172,423		
Less current portion of notes payable, net			13,895,635	7,769,497		
Notes payable net, less current portion			\$ 26,388,948	\$ 24,402,926		

As of September 30, 2020, the Company, and the Company’s wholly owned subsidiaries Southeast Power Corporation (“Southeast Power”), Pineapple House of Brevard, Inc. (“Pineapple House”), Bayswater Development Corporation (“Bayswater”), Power Corporation of America (“PCA”), Precision Foundations, Inc. (“PFI”) and C and C Power Line, Inc. (“C&C”), collectively (the “Debtors,”) were parties to a Master Loan Agreement, dated May 24, 2018 (the “2018 Master Loan Agreement”), with Branch Banking and Trust Company, now known as Truist Bank (the “Bank”), as amended on March 7, 2019 by the First Amendment to the 2018 Master Loan Agreement (the “Amendment”), and on December 6, 2019 by the Note Modification Agreement and related Addendum to Note Modification to the 2018 Master Loan Agreement (collectively, the “Ancillary Loan Document”).

As of September 30, 2020, the Company, the Debtors and the Bank were parties to the Working Capital Loan, evidenced by a promissory note and a series of related ancillary agreements with the Bank, under the 2018 Master Loan Agreement, the Amendment and the Ancillary Loan Document, that has a maximum principal amount of \$23.0 million. On March 23, 2020, the Company drew \$10.0 million from its Working Capital Loan, of which \$5.0 million was repaid on October 5, 2020, to enhance liquidity in view of the uncertainties caused by the COVID-19 pandemic. As of September 30, 2020, borrowings under the Working Capital Loan were \$10.0 million. There were no borrowings under the Working Capital Loan as of December 31, 2019.

As a credit guarantor to the Bank, the Company is contingently liable for the guaranty of a subsidiary obligation under an irrevocable letter of credit primarily related to workers’ compensation. The amount of this letter of credit was \$0.7 million and \$0.6 million as of September 30, 2020 and December 31, 2019, respectively.

As of September 30, 2020, the Company, the Debtors and the Bank were parties to a \$38.2 Million Equipment Loan. Under the documentation related to the \$38.2 Million Equipment Loan, principal payments of \$598,000 plus accrued interest commenced on March 9, 2019 and continued monthly thereafter until and including the payment due on December 9, 2019. Thereafter, equal monthly principal payments of \$650,000, plus accrued interest, commenced on January 9, 2020, and will continue monthly until the March 9, 2024 maturity date. Borrowings under the \$38.2 Million Equipment Loan were \$26.4 million as of September 30, 2020 and \$32.2 million as of December 31, 2019.

As of September 30, 2020, the Company, the Debtors and the Bank were also parties to a \$4.5 Million Equipment Loan. Under the documentation related to the \$4.5 Million Equipment Loan, borrowings were made only for the purchase of equipment held by the Company under master lease agreements and may not exceed the cost of the lease buy-out. Interest only payments on any amounts drawn commenced on April 7, 2019, and continued monthly through and including the payment due on March 7, 2020. Thereafter, principal payments of \$93,750 plus accrued interest commenced on April 7, 2020, and will continue monthly until and including the payment due on March 7, 2024. As of September 30, 2020 the borrowings under the \$4.5 Million Equipment Loan were \$3.9 million, which amount was drawn on March 2, 2020. There were no borrowings under the \$4.5 Million Equipment Loan as of December 31, 2019.

As of September 30, 2020, all loan agreements between the Debtors and the Bank, under the 2018 Master Loan Agreement, the Amendment, and the Ancillary Loan Document are guaranteed by the Debtors and include the grant of a continuing security interest in all now owned and after acquired and wherever located personal property of the Debtors.

The Working Capital Loan, the \$38.2 Million Equipment Loan and the \$4.5 Million Equipment Loan each bear interest at a rate per annum equal to one month LIBOR (as defined in the documentation related to each loan) plus 1.80%, which will be adjusted monthly and subject to a maximum rate as described in the documentation related to each loan.

The Company's debt arrangements contain various financial and other covenants including, but not limited to: minimum tangible net worth, maximum debt to tangible net worth ratio and fixed charge coverage ratio. Other loan covenants prohibit, among other things, a change in legal form of the Company, and entering into a merger or consolidation. The loans also have cross-default provisions whereby any default under any loans of the Company (or its subsidiaries) with the Bank, will constitute a default under all of the other loans of the Company (and its subsidiaries) with the Bank.

Note 6 – Commitments and Contingencies

Performance Bonds

In certain circumstances, the Company is required to provide performance bonds to secure its contractual commitments. Management is not aware of any performance bonds issued for the Company that have ever been called by a customer. As of September 30, 2020, outstanding performance bonds issued on behalf of the Company's electrical construction subsidiaries amounted to approximately \$49.7 million.

Collective Bargaining Agreements

C&C, one of the Company's electrical construction subsidiaries, is party to collective bargaining agreements with unions representing workers performing field construction operations. The collective bargaining agreements expire at various times and have typically been renegotiated and renewed on terms similar to the ones contained in the expiring agreements. The agreements require the subsidiary to pay specified wages, provide certain benefits to their respective union employees and contribute certain amounts to multi-employer pension plans and employee benefit trusts. The subsidiary's multi-employer pension plan contribution rates generally are specified in the collective bargaining agreements (usually on an annual basis), and contributions are made to the plans on a "pay-as-you-go" basis based on such subsidiary's union employee payrolls, which cannot be determined for future periods because contributions depend on, among other things, the number of union employees that such subsidiary employs at any given time; the plans in which it may participate vary depending on the projects it has ongoing at any time; and the need for union resources in connection with those projects. If the subsidiary withdraws from, or otherwise terminates its participation in, one or more multi-employer pension plans, or if the plans were to otherwise become substantially underfunded, such subsidiary could be assessed liabilities for additional contributions related to the underfunding of these plans. The Company is not aware of any amounts of withdrawal liability that have been incurred as a result of a withdrawal by C&C from any multi-employer defined benefit pension plans.

Legal Proceedings

The Company is involved in various legal claims arising in the ordinary course of business. The Company has concluded that the ultimate disposition of these matters should not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity. The Company expenses legal fees as incurred.

Note 7 – Income Per Share of Common Stock

Basic income per common share is computed by dividing net income by the weighted average number of common stock shares outstanding during the period. Diluted income per share reflects the potential dilution that could occur if common stock equivalents, such as stock options outstanding, were exercised into common stock that subsequently shared in the earnings of the Company. Stock awards are excluded from the calculation of diluted earnings per share in the event they are antidilutive.

As of September 30, 2019, the Company had no common stock equivalents. For both the three and nine months ended September 30, 2020 and September 30, 2019, the computation of the weighted average number of common stock shares outstanding for both basic and diluted amounts exclude 3,291,238 shares of Treasury Stock. The computation of the weighted average number of common stock shares outstanding used to calculate diluted income per share for both the three and nine months ended September 30, 2020, include

230,000 unvested restricted stock units. There were no restricted stock units outstanding during either of the three or nine month periods ended September 30, 2020 that were anti-dilutive.

Note 8 – ASC 606 Revenue Recognition and Significant Accounting Policies Disclosures

The Company's significant accounting policies are detailed in "Note 1: Organization and Summary of Significant Accounting Policies" within Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

To determine the proper revenue recognition method for contracts for electrical construction services, the Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate the combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. For most of the contracts, the Company provides a significant service of integrating a complex set of tasks and components into a single project or capability. Hence, the entire contract is accounted for as one performance obligation. However, less likely, if a contract is separated into more than one performance obligation, the Company allocates the total transaction price for each performance obligation in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation.

The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. The Company generally recognizes revenue over time as it performs because of continuous transfer of control to the customer. Because of control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The cost-to-cost measure of progress is generally used for its contracts because it best depicts the transfer of control to the customer which occurs as the Company incurs costs on the contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue is recorded proportionally as costs are incurred.

Due to the nature of the work required to be performed on many of the performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables and requires significant judgment. The Company estimates variable consideration at the most likely amount which the Company expects to receive. The Company includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of all information (historical, current and forecasted) that is reasonably available to the Company.

Contracts are often modified to account for changes in contract specifications and requirements. The Company considers contract modifications to exist when the modification either creates new or changes the existing enforceable rights and obligations. Most of the contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of a contract modification on the transaction price and our measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis.

The Company has a standard and disciplined quarterly estimated costs at completion process in which management reviews the progress and execution of our performance obligations. Management must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the availability of materials, the length of time to complete the performance obligation (e.g., to estimate increases in wages and prices for materials and related support cost allocations), and execution by our subcontractors, among other variables. Based on this analysis, any quarterly adjustments to net revenue, cost of electrical construction revenue and the related impact to operating income are recognized as necessary in the period they become known.

The following table disaggregates the Company's revenue for the dates indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Electrical construction operations (1)				
Southeast	\$ 19,010,869	\$ 17,127,019	\$ 59,643,565	\$ 51,956,218
mid-Atlantic	15,188,972	11,897,347	39,332,883	41,366,308
Texas-Southwest	11,914,994	13,038,099	35,259,981	28,461,784
Other electrical construction (2)	1,942,062	1,119,732	3,558,478	1,989,573
Total electrical construction operations	48,056,897	43,182,197	137,794,907	123,773,883
Real estate development operations	364,900	1,550,684	3,250,563	12,819,473
Total revenue	\$ 48,421,797	\$ 44,732,881	\$ 141,045,470	\$ 136,593,356

(1) Principal electrical construction operations include revenue from transmission lines, distribution systems, substations and drilled pier foundations.

(2) Other electrical construction includes revenue from storm work, fiber optics and other miscellaneous electrical construction items.

The aggregate amount of the transaction price allocated to performance obligations that were unsatisfied as of September 30, 2020 is \$69.4 million. Of this total, \$64.9 million is expected to be satisfied within the next twelve months and the remaining balance of \$4.5 million is expected to be satisfied thereafter.

Note 9 – Customer Concentration

For the nine months ended September 30, 2020 and 2019, the three largest customers accounted for 51.0% and 54.6%, respectively, of the Company's total revenue. For the three months ended September 30, 2020 and 2019 the three largest customers accounted for 56.5% and 56.7%, respectively, of the Company's total revenue.

Note 10 – Goodwill and Other Intangible Assets

The following table presents the gross and net balances of our goodwill and intangible assets as of the dates indicated:

	Useful Life (Years)	September 30, 2020			December 31, 2019		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived and non-amortizable acquired intangible assets							
Goodwill	Indefinite	\$ 101,407	\$ —	\$ 101,407	\$ 101,407	\$ —	\$ 101,407
Definite-lived and amortizable acquired intangible assets							
Trademarks/Names	15	\$ 640,000	\$ (288,001)	\$ 351,999	\$ 640,000	\$ (256,001)	\$ 383,999
Customer relationships	20	350,000	(118,125)	231,875	350,000	(105,000)	245,000
Non-competition agreement	5	10,000	(10,000)	—	10,000	(10,000)	—
Other	1	13,800	(13,800)	—	13,800	(13,800)	—
Total		\$ 1,013,800	\$ (429,926)	\$ 583,874	\$ 1,013,800	\$ (384,801)	\$ 628,999

Amortization of definite-lived intangible assets will be approximately \$60,000 annually for 2020 through 2025.

Note 11 – Leases

In February 2016, the FASB issued ASU 2016-02, ASC 842 Leases to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). On January 1, 2019, the Company adopted the accounting pronouncement issued using the modified retrospective method. The Company elected the “package of practical expedients” permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification. In addition, the Company elected not to utilize the hindsight practical expedient to determine the lease term for existing leases. The Company elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, the Company did not recognize right-of-use assets or lease liabilities, including not recognizing right-of-use assets or lease liabilities for existing short-term leases of those assets in transition. The Company also elected the practical expedient to not separate lease and non-lease components. Adoption of the new standard resulted in the recording of additional operating lease right-of-use assets and operating lease liabilities of approximately \$4.3 million and \$4.3 million, respectively, as of January 1, 2019. The adoption of this standard did not impact the Company’s retained earnings, liquidity, results of operations or its compliance with its debt covenants. The Company modified existing controls and processes to support the adoption of the new lease accounting standard that the Company adopted as of January 1, 2019.

From time to time, the Company enters into leases primarily for the electrical construction operation’s equipment needs and to a lesser extent office facilities. These leases allow the Company to conserve cash by paying a monthly lease rental fee for the use of equipment rather than purchasing them. The Company’s leases have remaining terms ranging from months to seven years, some of which may include options to extend the lease term. Currently, all of the Company’s leases contain fixed payment terms. Additionally, all of our month-to-month leases are cancelable by the Company, at any time and are not included in our right-of-use asset or liability. At September 30, 2020, the Company had no leases with residual value guarantees. Typically, the Company has purchase options on the equipment underlying its long-term leases and many of its short-term rental arrangements. The Company has concluded that it is not reasonably certain that such options will be exercised as the Company does not currently have a compelling economic reason to exercise the options. However, the Company may exercise some of these purchase options when the need for equipment is on-going and the purchase option price is attractive.

Financing Leases

The Company currently does not have any leases that are classified as financing leases under ASC 842 *Leases*.

Operating Lease Right-of-Use Assets

Operating lease right-of-use assets are reported under “Operating lease right-of-use assets,” on the Company’s consolidated balance sheet. The current portion operating lease liabilities are reported under “Current portion of operating lease liability” and the non-current portion is reported under “Operating lease liabilities,” respectively on the Company’s consolidated balance sheet. Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company’s leases do not provide an implicit rate to calculate present value, the Company determines this rate, by estimating the Company’s incremental borrowing rate, at the lease commencement date. The majority of the operating lease right-of-use assets are for equipment used in the Company’s electrical construction operations. The incremental borrowing rate used for these leases is based on the interest rate of the outstanding notes payable at the date of lease execution, which reflects the rate the Company would incur to finance the equipment. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

The following table presents a summary of the Company’s lease assets and lease liabilities as of the dates indicated:

	Classification	September 30, 2020	December 31, 2019
Lease Assets			
Operating lease assets	Operating lease right-of-use assets	\$ 19,231,952	\$ 6,861,099
Lease Liabilities			
Current operating lease liabilities	Current portion of operating lease liability	\$ 3,881,692	\$ 1,880,957
Non-current operating lease liabilities	Operating lease liabilities	15,723,328	4,987,088
Total lease liabilities		\$ 19,605,020	\$ 6,868,045

[Table of Contents](#)

The total weighted-average incremental borrowing rate and remaining lease term for the Company's operating leases were 2.92% and 5.64 years, respectively, as of September 30, 2020. Operating lease costs for the three and nine months ended September 30, 2020 were \$0.9 million and \$2.2 million, respectively, which approximate the cash payments for these periods.

The following table presents the Company's maturity analysis of its operating lease liabilities as of the date indicated:

	September 30, 2020
2020	\$ 1,024,091
2021	3,884,044
2022	3,789,192
2023	3,624,314
2024 and beyond	8,939,559
Total lease payments	\$ 21,261,200
Less: interest	(1,656,180)
Present value of lease liabilities	<u>\$ 19,605,020</u>

Note 12 – Business Segment Information
Segment

The Company performs services in two segments, electrical construction and real estate development. There were no material amounts of sales or transfers between segments and no material amounts of foreign sales. Any inter-segment sales have been eliminated.

The following table sets forth certain segment information for the dates indicated

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Continuing Operations				
Revenue				
Electrical construction	\$ 48,056,897	\$ 43,182,197	\$ 137,794,907	\$ 123,773,883
Real estate development	364,900	1,550,684	3,250,563	12,819,473
Total revenue	<u>\$ 48,421,797</u>	<u>\$ 44,732,881</u>	<u>\$ 141,045,470</u>	<u>\$ 136,593,356</u>
Operating expenses				
Electrical construction	\$ 43,206,985	\$ 39,962,922	\$ 125,093,691	\$ 115,051,543
Real estate development	471,677	1,389,541	2,979,110	10,840,667
Corporate	2,871,294	1,314,269	5,692,728	4,070,387
Total operating expenses	<u>\$ 46,549,956</u>	<u>\$ 42,666,732</u>	<u>\$ 133,765,529</u>	<u>\$ 129,962,597</u>
Operating income (loss)				
Electrical construction	\$ 4,849,912	\$ 3,219,275	\$ 12,701,216	\$ 8,722,340
Real estate development	(106,777)	161,143	271,453	1,978,806
Corporate	(2,871,294)	(1,314,269)	(5,692,728)	(4,070,387)
Total operating income	<u>\$ 1,871,841</u>	<u>\$ 2,066,149</u>	<u>\$ 7,279,941</u>	<u>\$ 6,630,759</u>
Other (expenses) income, net				
Electrical construction	\$ (153,229)	\$ (349,269)	\$ (593,360)	\$ (1,065,917)
Real estate development	—	—	—	(5,499)
Corporate	5,606	37,535	12,380	103,436
Total other expenses, net	<u>\$ (147,623)</u>	<u>\$ (311,734)</u>	<u>\$ (580,980)</u>	<u>\$ (967,980)</u>
Net income (loss) before taxes				
Electrical construction	\$ 4,696,683	\$ 2,870,006	\$ 12,107,856	\$ 7,656,423
Real estate development	(106,777)	161,143	271,453	1,973,307
Corporate	(2,865,688)	(1,276,734)	(5,680,348)	(3,966,951)
Total net income before taxes	<u>\$ 1,724,218</u>	<u>\$ 1,754,415</u>	<u>\$ 6,698,961</u>	<u>\$ 5,662,779</u>
Capital Expenditures				
Electrical construction	\$ 3,957,702	\$ 1,779,984	\$ 12,861,020	\$ 15,218,970
Real estate development	1,249	—	1,571	59,048
Corporate	29,168	41,137	110,768	878,875
Total	<u>\$ 3,988,119</u>	<u>\$ 1,821,121</u>	<u>\$ 12,973,359</u>	<u>\$ 16,156,893</u>
Depreciation and Amortization				
Electrical construction	\$ 3,018,610	\$ 2,695,012	\$ 8,839,030	\$ 7,955,556
Real estate development	8,411	6,926	25,013	18,690
Corporate	29,436	27,050	86,729	74,303
Total	<u>\$ 3,056,457</u>	<u>\$ 2,728,988</u>	<u>\$ 8,950,772</u>	<u>\$ 8,048,549</u>

Operating income (loss) equals total operating revenue less operating costs and expenses inclusive of depreciation and amortization, and selling, general and administrative expenses. Operating costs and expenses also include any gains or losses on the sale of property and equipment. Operating income (loss) excludes interest expense, interest income, other income and income taxes.

The following table sets forth assets by segment as of the dates indicated:

Assets	September 30, 2020	December 31, 2019
Electrical construction	\$ 138,254,547	\$ 111,064,071
Real estate development	6,191,084	7,578,440
Corporate	15,000,180	10,724,667
Total	<u>\$ 159,445,811</u>	<u>\$ 129,367,178</u>

Note 13 – Stock-Based Compensation

On July 1, 2020, the Company issued 230,000 restricted stock units to certain employees and officers of the Company under The Goldfield Corporation 2013 Long-Term Incentive Plan (the “2013 Plan”), which had been approved by the Company’s stockholders on May 30, 2013. These 230,000 shares are the first shares awarded under the 2013 Plan. On each anniversary of the date of the award one third of the restricted stock units awarded will vest, subject to the participant’s continued employment with the Company.

Under the 2013 Plan the maximum number of shares that may be issued pursuant to awards is 2,250,000. Shares that are potentially deliverable under an award that expires or is canceled, forfeited, settled in cash or otherwise settled without the delivery of shares shall not be treated as having been issued under the 2013 Plan. Shares underlying lapsed or forfeited awards of restricted stock units shall not be treated as having been issued pursuant to an award under the 2013 Plan. Shares that are withheld to satisfy the option exercise price or tax withholding obligations related to any award shall be deemed to be shares issued under the 2013 Plan.

As of September 30, 2020, there were 230,000 outstanding unvested restricted stock units under the 2013 Plan. As of September 30, 2020, the 2013 Plan has 1,020,000 shares available for future grants. For the three and nine months ended September 30, 2020, the Company issued 230,000 restricted stock units to officers and other employees of the Company. There were no restricted stock units issued for either of the three or nine months ended September 30, 2019. The restricted stock units were issued with a grant date fair market value equal to the closing price of the stock on the date of the grants. As of September 30, 2020 the total grant-date fair value of awards granted during the period was \$837,000. Of the 230,000 restricted stock units issued, 76,667 shares will vest in fiscal year 2021, 76,667 shares will vest in fiscal year 2022 and 76,666 shares will vest in fiscal year 2023. Total stock compensation expense recognized for both the three and nine months ended September 30, 2020 was \$70,300. The amount of expense related to share-based payment arrangements are included in specific line items in the financial statement as the compensation for the employees who were granted restricted stock units. Compensation is reported within the “Costs and expenses” section on the Company’s consolidated statements of income. For employees of the electrical construction operations, stock-based compensation expense is reported under the caption “Electrical construction,” and for all other employees, stock-based compensation expense is reported under the caption “Selling, general and administrative.” As of September 30, 2020, there was \$767,000 of total unrecognized compensation cost related to the 230,000 non-vested restricted stock units. This cost is expected to be recognized over a weighted-average period of approximately 2.75 years.

The following table presents a summary of the Company’s Stock-based compensation expense as of the dates indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Share-based compensation expense				
Electrical construction	\$ 48,888	\$ —	\$ 48,888	\$ —
Selling, general and administrative	21,388	—	21,388	—
Total share-based compensation expense	<u>\$ 70,276</u>	<u>\$ —</u>	<u>\$ 70,276</u>	<u>\$ —</u>

On October 1, 2020, the Company issued an additional 100,000 restricted stock units to certain of the Company’s officers under the 2013 Plan. As of October 1, 2020, the 2013 Plan has 920,000 shares available for future grants.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

We make “forward-looking statements” within the meaning of the “safe harbor” provision of the Private Securities Litigation Reform Act of 1995 throughout this document. You can identify these statements by forward-looking words such as “may,” “will,” “expect,” “anticipate,” “believe,” “estimate,” “plan,” and “continue” or similar words. We have based these statements on our current expectations about future events. Although we believe that our expectations reflected in or suggested by our forward-looking statements are reasonable, we cannot assure you that these expectations will be achieved. Our actual results may differ materially from what we currently expect. Factors that may affect the results of our operations include, among others: the level of construction activities by public utilities; the concentration of revenue from a limited number of utility customers; the loss of one or more significant customers; the timing and duration of construction projects for which we are engaged; our ability to estimate accurately with respect to fixed-price construction contracts; and heightened competition in the electrical construction field, including intensification of price competition. Other factors that may affect the results of our operations include, among others: adverse weather; natural disasters; global pandemics; effects of climate changes; changes in generally accepted accounting principles; ability to obtain necessary permits from regulatory agencies; our ability to maintain or increase historical revenue and profit margins; general economic conditions, both nationally and in our region; adverse legislation or regulations; availability of skilled construction labor and materials and material increases in labor and material costs; and our ability to obtain additional and/or renew financing. Other important factors which could cause our actual results to differ materially from the forward-looking statements in this document include, but are not limited to, those discussed in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” as well as those discussed elsewhere in this report and as set forth from time to time in our other public filings and public statements. You should not assume that material events subsequent to the date of this Quarterly Report on Form 10-Q have or have not occurred. In addition to the other information included in this report and our other public filings and releases, a discussion of factors affecting our business is included in our Annual Report on Form 10-K for the year ended December 31, 2019 under “Item 1A. Risk Factors” and should be considered while evaluating our business, financial condition, results of operations and prospects.

You should read this report in its entirety and with the understanding that our actual future results may be materially different from what we expect. We may not update these forward-looking statements, even in the event that our situation changes in the future, except as required by law. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Overview

We are a provider of electrical construction services, primarily in the Southeast, mid-Atlantic and Texas-Southwest regions of the United States. We are also engaged in real estate development operations of residential properties on the east coast of Central Florida. We report our results under two reportable segments, electrical construction and real estate development. For the nine months ended September 30, 2020, our total consolidated revenue was \$141.0 million, a 3.3% increase from \$136.6 million in the same period in 2019.

Through our subsidiaries, Power Corporation of America (“PCA”), Southeast Power Corporation (“Southeast Power”), C and C Power Line, Inc. (“C&C”) and Precision Foundations, Inc. (“PFI”), we are engaged in the construction of electrical infrastructure for the utility industry and industrial customers. Southeast Power performs electrical contracting services including the construction of transmission lines, distribution systems, substations and other electrical services. Southeast Power is headquartered in Titusville, Florida and has additional facilities in Bastrop and Cresson, Texas, Lancaster, Kentucky and Spartanburg, South Carolina. C&C, headquartered in Jacksonville, Florida, is a full service electrical contractor that provides similar services as Southeast Power with a unionized workforce. PFI, headquartered in Port Orange, Florida, acquired its operating assets from Southeast Power in August 2018 and constructs drilled pier foundations and installs concrete poles, direct embeds and vibratory casings.

The electrical construction business is highly competitive and fragmented. We compete with other independent contractors, including larger regional and national firms that may have financial, operational, technical and marketing resources that exceed our own. We also face competition from existing and prospective customers establishing or augmenting in-house services and organizations that employ personnel who perform similar services as those provided by us. In addition, a significant portion of our electrical construction revenue is derived from a small group of customers that account for a substantial portion of our revenue in any given year. The revenue contribution by any single customer or group of customers may significantly fluctuate from period-to-period. For example, for the nine months ended September 30, 2020 and 2019, three of our customers accounted for approximately 51.0% and 54.6% of our

consolidated revenue, respectively. The loss of or decrease in current demand from one or more customers, if not replaced, may result in a material decrease in revenue, margin and profit.

Through our subsidiary Bayswater Development Corporation and its various subsidiaries (“Bayswater”), we are engaged in the acquisition, development, management and disposition of land and improved properties along the east coast of Central Florida. Bayswater is headquartered in Melbourne, Florida. Our customers are generally pre-retirement, retirement or second home buyers seeking higher quality, low maintenance residences.

When we use either of the terms “homes” or “units,” we mean our residential properties, which include detached single-family homes, townhomes and condominiums. References to our homebuilding revenues and similar references refer to revenues derived from the sales of our residential properties, in each case unless otherwise expressly stated or the context otherwise requires.

We believe that, to date, COVID-19 has not materially affected our electrical construction operations. We have adopted protocols to protect our customers and their employees, our field workers and office administrative personnel, such as allowing our administrative employees to work remotely from home whenever possible across our subsidiaries based on office specific needs. We closely monitor these protocols based on the evolving COVID-19 environment and will make any necessary adjustments to ensure the safety of our employees and meet the requirements of our customers.

We are continuously monitoring the COVID-19 pandemic, as the effects have varied from customer to customer and region to region, and are changing almost daily. We believe our customers may face various challenges related to the COVID-19 environment, including challenges related to current regulations and the ongoing changes to those regulations. In the short term we may see some disruption to our operations, including potential project start and permitting delays. However, as our services are considered critical by both federal and state governments, and the demand on the electrical infrastructure grid has increased due to the increased number of people working from home, we believe the demand for our services will continue. Our customers have, for the most part, reiterated their capital spending plans for the foreseeable future, including continued investments in grid hardening, renewable integration and system reliability.

There have been no changes to the nature of our controls, processes or procedures as a result of administrative personnel working remotely. We cannot predict with any certainty the future effects of a prolonged epidemic on our nation’s economy, our utility customers or our electrical construction projects. Our capital expenditure have continued as planned.

With respect to our residential real estate development construction activities, which represent a very small portion of our business, we anticipate that the economic uncertainties and damage caused by the pandemic may dampen customer demand for new units. Please refer to Item 1A. *Risk Factors* for additional Risk Factors we have added regarding COVID-19.

Critical Accounting Estimates

This discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amount of assets, liabilities, revenue and expense, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, particularly those related to electrical construction contracts. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable, under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities, that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Our management has discussed the selection and development of our critical accounting policies, estimates, and related disclosures with the Audit Committee of the Board of Directors.

Revenue Recognition

Our significant accounting policies are detailed in “Note 1: Organization and Summary of Significant Accounting Policies” within Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2019.

Fixed-Price Electrical Construction Contracts

We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. We generally recognize revenue over time as we perform because of continuous transfer of control to the customer. Because of control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. We generally use the cost-to-cost measure of progress for our contracts because it best depicts the transfer of control to the customer which occurs as we incur costs on our contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue is recorded proportionally as costs are incurred.

Due to the nature of the work required to be performed on many of our performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables and requires significant judgment. We estimate variable consideration at the most likely amount which we expect to receive. We include estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of all information (historical, current and forecasted) that is reasonably available to us.

Contracts are often modified to account for changes in contract specifications and requirements. We consider contract modifications to exist when the modification either creates new or changes the existing enforceable rights and obligations. Most of our contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of a contract modification on the transaction price and our measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis.

We have a standard and disciplined quarterly estimated costs at completion process in which management reviews the progress and execution of our performance obligations. Management must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the availability of materials, the length of time to complete the performance obligation (e.g., to estimate increases in wages and prices for materials and related support cost allocations), and execution by our subcontractors, among other variables. Based on this analysis, any quarterly adjustments to net revenue, cost of electrical construction revenue and the related impact to operating income are recognized as necessary in the period they become known.

The accuracy of our revenue and profit recognition in a given period is almost solely dependent on the accuracy of our estimates of the cost to complete each project. Our projects can be complex and in almost every case the profit margin estimates for a project will either increase or decrease, to some extent, from the amount that was originally estimated at the time of bid. If a current estimate of total costs exceeds the total estimate of revenue to be earned, on a performance obligation, the projected loss is recognized in full when determined. Accrued contract losses were \$0.2 million as of September 30, 2020 and \$0.3 million as of December 31, 2019. The accrued contract losses as of September 30, 2020 resulted from various unexpected construction issues. The accrued contract losses as of December 31, 2019 were mainly attributable to transmission projects experiencing unexpected construction issues.

The following table disaggregates our revenue for the dates indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Electrical construction operations (1)				
Southeast	\$ 19,010,869	\$ 17,127,019	\$ 59,643,565	\$ 51,956,218
mid-Atlantic	15,188,972	11,897,347	39,332,883	41,366,308
Texas-Southwest	11,914,994	13,038,099	35,259,981	28,461,784
Other electrical construction (2)	1,942,062	1,119,732	3,558,478	1,989,573
Total electrical construction operations	48,056,897	43,182,197	137,794,907	123,773,883
Real estate development operations	364,900	1,550,684	3,250,563	12,819,473
Total revenue	\$ 48,421,797	\$ 44,732,881	\$ 141,045,470	\$ 136,593,356

(1) Principal electrical construction operations include revenue from transmission lines, distribution systems, substations and drilled pier foundations.

(2) Other electrical construction includes revenue from storm work, fiber optics and other miscellaneous electrical construction items.

The aggregate amount of the transaction price allocated to performance obligations that were unsatisfied as of September 30, 2020 is \$69.4 million. Of this total, \$64.9 million is expected to be satisfied within the next twelve months and the remaining balance of \$4.5 million is expected to be satisfied thereafter.

RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2020 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2019

The following table presents our segment operating income from continuing operations for the nine months ended September 30, 2020 and 2019:

	2020	2019
Electrical construction		
Revenue	\$ 137,794,907	\$ 123,773,883
Operating expenses		
Costs of goods sold	114,042,479	105,597,926
Selling, general and administrative	2,209,336	1,544,821
Depreciation and amortization	8,839,030	7,955,556
Loss (gain) on sale of property and equipment	2,846	(46,760)
Total costs and expenses	125,093,691	115,051,543
Operating income	\$ 12,701,216	\$ 8,722,340
Real estate development		
Revenue	\$ 3,250,563	\$ 12,819,473
Operating expenses		
Costs of goods sold	2,187,998	9,360,449
Selling, general and administrative	766,099	1,478,627
Depreciation and amortization	25,013	18,690
Gain on sale of property and equipment	—	(17,099)
Total costs and expenses	2,979,110	10,840,667
Operating income	\$ 271,453	\$ 1,978,806

Operating income equals total operating revenue less operating costs and expenses inclusive of depreciation and amortization, and selling, general and administrative expenses. Operating costs and expenses also include any gains or losses on the sale of property and equipment. Operating income excludes interest expense, interest income, other income and income taxes.

Revenue

Total revenue for the nine months ended September 30, 2020 increased to \$141.0 million, an increase of \$4.5 million, or 3.3%, from \$136.6 million for the same period in 2019. The increase in revenue was attributable to the increase in electrical construction revenue, partially offset by the decrease in real estate development revenue.

Electrical construction operations revenue increased to \$137.8 million, an increase of \$14.0 million, or 11.3%, from \$123.8 million for the same period in 2019. The increase in electrical construction revenue was mainly attributable to increases in projects awarded and work completed in the Southeast and Texas-Southwest regions of \$7.7 million and \$6.8 million, respectively. These increases were partially offset by decreases in the mid-Atlantic region of \$2.0 million. The increase in the Southeast region was mainly due to increased transmission project volume under both master service agreements (“MSAs”) and non-MSAs. The increases in the Texas-Southwest region were primarily due to continued growth in MSA project activity including service line expansion. Also contributing to the increases in revenue was an increase in revenue categorized as Other, mainly for storm work. The decrease in the mid-Atlantic region was due to lower MSA customer project activity, primarily for the first half of 2020.

Revenue from real estate development operations decreased to \$3.3 million for the nine months ended September 30, 2020 from \$12.8 million in the same period in 2019, due to the decrease in the number and the type of units sold and the timing of completion of units available for sale.

Backlog

Our backlog represents future services to be performed under existing project-specific fixed-price and maintenance contracts and the estimated value of future services that we expect to provide under our existing MSAs.

The following table presents our total backlogs as of September 30, 2020 and 2019 along with an estimate of the backlog amounts expected to be realized within 12 months and during the life of each of the MSAs. When awarded, our MSA initial terms range from one to seven years. The existing MSAs include two one-year renewals with certain customers, representing \$102.2 million, or 32.6% of our total estimated MSA backlog as of September 30, 2020.

Electrical Construction	September 30, 2020		September 30, 2019	
	12-Month	Total	12-Month	Total
Project-Specific Firm Contracts (1)	\$ 65,266,160	\$ 71,272,180	\$ 48,420,612	\$ 52,865,820
Estimated MSAs	85,975,136	313,911,324	47,628,669	134,645,726
Total	\$ 151,241,296	\$ 385,183,504	\$ 96,049,281	\$ 187,511,546

(1) Amount includes firm contract awards under MSA agreements.

Our total backlog as of September 30, 2020 increased \$197.7 million, or 105.4% to \$385.2 million, compared to \$187.5 million as of September 30, 2019. The increase in total backlog was mainly due to the increase in the total amount of estimated MSA work, primarily attributable to the award of three new MSAs during the twelve months ending September 30, 2020.

Our 12-month backlog as of September 30, 2020 increased 57.5% to \$151.2 million, from \$96.0 million as of September 30, 2019, mainly due to the increase in estimated MSA work attributable to the award of new MSAs, as well as an increase in the amount of firm MSA project activity.

Backlog is estimated at a particular point in time and is not determinative of total revenue in any particular period. It does not reflect future revenue from a significant number of short-term projects undertaken and completed between the estimated dates.

The estimated amount of backlog for work under MSAs is calculated by using recurring historical trends inherent in current MSAs and projected customer needs based upon ongoing communications with the customer. Our estimated backlog also assumes exercise of existing customer renewal options. Certain MSAs are not exclusive to the Company and, therefore, the size and number of projects we may be awarded cannot be determined with certainty. Accordingly, the amount of future revenue from MSA contracts may vary substantially from reported backlog. Even if we realize all the revenue from the projects in our backlog, there is no guarantee of profit from the projects awarded under MSAs.

As of September 30, 2020 and 2019, estimated MSAs accounted for approximately 81.5% and 71.8% of total backlog, respectively. We plan to continue to grow our MSA business. MSA contracts are generally multi-year and we believe provide improved operating efficiencies.

Reconciliation of Electrical Construction Backlog to our Remaining Unsatisfied Performance Obligation

The following table presents a reconciliation of our total backlog as of September 30, 2020 to our remaining unsatisfied performance obligation as defined under GAAP:

	September 30, 2020
Total backlog	\$ 385,183,504
Estimated MSAs	(313,911,324)
Estimated firm (1)	(1,836,420)
Total unsatisfied performance obligation	<u>\$ 69,435,760</u>

(1) Represents estimated backlog contract value as of September 30, 2020, on projects awarded.

Backlog is a non-GAAP financial measure however it is a common measurement used in our industry. We believe this measure enables management to more effectively forecast our future capital needs and results and better identify future operating trends that may not otherwise be apparent. We believe this measure is also useful for investors in forecasting our future results and comparing us to our competitors. While we believe that our methodology of calculation is appropriate, such methodology may not be comparable to that employed by some other companies. Given the duration of our contracts and MSAs and our method of calculating backlog, our backlog at any point in time may not accurately represent the revenue that we expect to realize during any period and our backlog as of the end of a fiscal year may not be indicative of the revenue we expect to earn in the following fiscal year and should not be viewed or relied upon as a stand-alone indicator. Consequently, we cannot provide assurance as to our customers' requirements or our estimates of backlog.

The amount of backlog differs from the amount of our remaining unsatisfied performance obligations partially satisfied as of September 30, 2020 and as described in note 8 to the consolidated financial statements, primarily due to the inclusion of estimates of future revenue under MSA and other service agreements within our backlog estimates, as described above.

Revenue estimates included in our backlog may be subject to change as a result of project accelerations, additions, cancellations or delays due to various factors, including but not limited to: commercial issues, material deficiencies, permitting, regulatory requirements and adverse weather. Our customers are not contractually committed to a specific level of services under our MSAs. While we did not experience any material cancellations during the current period, most of our contracts may be terminated, even if we are not in default under the contract.

Operating Results

Total operating income for the nine months ended September 30, 2020 increased to \$7.3 million, an increase of \$0.6 million, or 9.8%, from \$6.6 million for the same period in 2019. This increase was primarily attributable to higher electrical construction gross profit partially offset by higher selling, general and administrative and depreciation expenses and lower real estate development gross profit.

Gross margin on electrical construction operations for the nine months ended September 30, 2020 grew to 17.2%, from 14.7% for the same period in 2019. The increase in gross margin was primarily attributable to increased MSA activity with transmission customers and service line expansion in the Texas-Southwest region. Also contributing to the increase in gross margin was higher foundation construction activity with improved margins. These increases were partially offset by lower transmission project activity, mainly due to the delayed start-up of a newly awarded MSA in our mid-Atlantic region, primarily in the first half of 2020.

Such gross margin represents electrical construction revenue less electrical construction costs and expenses (excluding depreciation and amortization, selling, general and administrative expenses, and any gains or losses on the sale of property and equipment), divided by electrical construction revenue.

Gross margin on real estate development for the nine months ended September 30, 2020 increased to 32.7%, from 27.0% for the same period in 2019. This increase was due to the type of units sold in the nine months ended September 30, 2020 when compared to the same period in 2019.

Such gross margin represents real estate development revenue less real estate development costs and expenses (excluding depreciation and amortization, selling, general and administrative expenses, and gains or losses on sale of property and equipment), divided by real estate development revenue.

The following table provides a reconciliation of our net income to EBITDA (a non-GAAP financial measure) for the nine months ended September 30, 2020 and 2019:

	2020	2019
Net income (GAAP as reported)	\$ 5,033,192	\$ 3,760,745
Interest expense, net of amount capitalized	761,118	1,130,798
Provision for income taxes	1,665,769	1,902,034
Depreciation and amortization (1)	8,950,772	8,048,549
EBITDA	\$ 16,410,851	\$ 14,842,126

(1) Depreciation and amortization includes depreciation on property, plant and equipment and amortization of finite-lived intangible assets.

EBITDA, a non-GAAP performance measure used by management, is defined as net income plus: interest expense, provision for income taxes and depreciation and amortization, as shown in the table above. EBITDA, a non-GAAP financial measure, does not purport to be an alternative to net income as a measure of operating performance or to net cash flows provided by operating activities as a measure of liquidity. Because not all companies use identical calculations, this presentation of EBITDA may not be comparable to other similarly-titled measures of other companies. We use, and we believe investors benefit from the presentation of, EBITDA in evaluating our operating performance because it provides us and our investors with an additional tool to compare our operating performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect our core operations. We believe that EBITDA is useful to investors and other external users of our consolidated financial statements in evaluating our operating performance because EBITDA is widely used by investors to measure a company's operating performance without regard to items such as interest expense, taxes, and depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired.

Using EBITDA as a performance measure has material limitations as compared to net income, or other financial measures as defined under GAAP as it excludes certain recurring items which may be meaningful to investors. EBITDA excludes interest expense; however, as we have borrowed money in order to finance transactions and operations, interest expense is an element of our cost structure and can affect our ability to generate revenue and returns for our stockholders. Further, EBITDA excludes depreciation and amortization; however, as we use capital and intangible assets to generate revenues, depreciation and amortization are a necessary element of our costs and ability to generate revenue. Finally, EBITDA excludes income taxes; however, as we are organized as a corporation, the payment of taxes is a necessary element of our operations. As a result of these exclusions from EBITDA, any measure that excludes interest expense, depreciation and amortization and income taxes has material limitations as compared to net income. When using EBITDA as a performance measure, management compensates for these limitations by comparing EBITDA and net income in each period, so as to allow for the comparison of the performance of the underlying core operations with the overall performance of the company on a full-cost, after-tax basis. Using both EBITDA and net income to evaluate the business allows management and investors to (a) assess our relative performance against our competitors and (b) monitor our capacity to generate returns for our stockholders.

Costs and Expenses

Total costs and expenses increased by \$3.8 million to \$133.8 million for the nine months ended September 30, 2020, from \$130.0 million for the same period in 2019, commensurate with the higher level of electrical construction operations, as well as increases in selling, general and administrative and depreciation expenses, partially offset by lower real estate development operation expenses.

The following table sets forth selling, general and administrative ("SG&A") expenses for the nine months ended September 30, 2020 and 2019:

	2020	2019
Electrical construction	\$ 2,209,336	\$ 1,544,821
Real estate development	766,099	1,478,627
Corporate	5,605,930	4,009,796
Total	\$ 8,581,365	\$ 7,033,244

[Table of Contents](#)

SG&A expenses increased 22.0% to \$8.6 million for the nine months ended September 30, 2020, from \$7.0 million for the same period in 2019. Approximately \$1.4 million of the increase in SG&A expenses was due to the settlement of amounts owed, including employment agreement and death benefits, to the estate of our former Chief Executive Officer who passed away in August 2020. As a percentage of revenue, SG&A expenses increased to 6.1% from 5.1% for the same period in 2019, due primarily to the aforementioned increase in SG&A expenses.

The following table sets forth depreciation and amortization expense for the nine months ended September 30, 2020 and 2019:

	2020	2019
Electrical construction	\$ 8,839,030	\$ 7,955,556
Real estate development	25,013	18,690
Corporate	86,729	74,303
Total	<u>\$ 8,950,772</u>	<u>\$ 8,048,549</u>

Depreciation and amortization expense increased \$0.9 million, or 11.2%, to \$9.0 million for the nine months ended September 30, 2020, from \$8.0 million for the nine months ended September 30, 2019, as a result of an increase in capital expenditures.

Income Taxes

The following table presents our provision for income tax and effective income tax rate from continuing operations for the nine months ended September 30, 2020 and 2019:

	2020	2019
Income tax provision	\$ 1,665,769	\$ 1,902,034
Effective income tax rate	24.9 %	33.6 %

Prior to adjustments to reflect the impact of the enactment of the CARES Act in March 2020, our expected tax rate for the year ending December 31, 2020, calculated based on our estimated annual operating results for the year, was 32.2%. However, due to the favorable impact of discrete items of 4.9%, the majority of which are related to the CARES Act, our resulting expected annual rate is 27.3%. Our expected tax rate differs from the federal statutory rate of 21% due to nondeductible expenses and state income taxes offset by the discrete items.

Our effective tax rate for the nine months ended September 30, 2020 was 24.9% and differs from the federal statutory rate of 21% due to nondeductible expenses and state income taxes offset by the impact of discrete items totaling \$492,000. The discrete items were recorded in connection with the net operating loss carryback provisions of the CARES Act and to a lesser extent a state mandated income tax refund. Our effective tax rate is lower than our expected annual tax rate of 27.3% due to the impact of discrete items reported, which will reduce over the year. Our effective tax rate for the nine months ended September 30, 2019 was 33.6% and differs from the federal statutory rate of 21% due to nondeductible expenses and state income taxes. The decrease in our 2020 expected tax rate when compared to 2019 is attributable to the effects of the CARES Act and other discrete items.

THREE MONTHS ENDED SEPTEMBER 30, 2020 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2019

The following table presents our operating income (loss) from continuing operations for the three months ended September 30, 2020 and 2019:

	2020	2019
Electrical construction		
Revenue	\$ 48,056,897	\$ 43,182,197
Operating expenses		
Costs of goods sold	39,640,718	36,789,515
Selling, general and administrative	573,488	523,899
Depreciation and amortization	3,018,610	2,695,012
Gain on sale of property and equipment	(25,831)	(45,504)
Total costs and expenses	43,206,985	39,962,922
Operating income	<u>\$ 4,849,912</u>	<u>\$ 3,219,275</u>
Real estate development		
Revenue	\$ 364,900	\$ 1,550,684
Operating expenses		
Costs of goods sold	244,813	1,031,373
Selling, general and administrative	218,453	351,242
Depreciation and amortization	8,411	6,926
Total costs and expenses	471,677	1,389,541
Operating (loss) income	<u>\$ (106,777)</u>	<u>\$ 161,143</u>

Operating income (loss) equals total operating revenue less operating costs and expenses inclusive of depreciation and amortization, and selling, general and administrative expenses. Operating costs and expenses also include any gains or losses on the sale of property and equipment. Operating income (loss) excludes interest expense, interest income, other income and income taxes.

Revenue

Total revenue for the three months ended September 30, 2020 increased to \$48.4 million, an increase of \$3.7 million, or 8.2%, from \$44.7 million for the same period in 2019, due to the increase in electrical construction operations revenue, partially offset by the decline in real estate development activity.

Electrical construction operations revenue increased to \$48.1 million, an increase of \$4.9 million, or 11.3%, from \$43.2 million for the same period in 2019. The increase in electrical construction revenue was mainly attributable to increases in projects awarded and work completed in the mid-Atlantic region of \$3.3 million and the Southeast region of \$1.9 million, partially offset by a decrease in the Texas-Southwest region of \$1.1 million. The increase in the mid-Atlantic region was primarily due to an increase in MSA project activity across all service lines. The increase in the Southeast region was mainly due to increases in both MSA and non-MSA project activity. Also contributing to the increases in revenue was an increase in revenue categorized as Other, primarily for storm work. The decrease in the Texas-Southwest region was primarily due to a decrease in MSA project volume, mainly transmission work, for the three months ended September 30, 2020, compared to the same period in 2019.

Revenue from real estate development operations decreased to \$0.4 million for the three months ended September 30, 2020 from \$1.6 million in the same period in 2019, due to the decrease in the number of units sold and the timing of completion of units available for sale.

Operating Results

Total operating income for the three months ended September 30, 2020 was \$1.9 million, a decrease of \$0.2 million, from \$2.1 million for the same period in 2019. This decrease was primarily attributable to higher selling, general and administrative and depreciation expenses, as well as lower real estate development gross profit, partially offset by higher electrical construction gross profit.

[Table of Contents](#)

Gross margin on electrical construction operations for the three months ended September 30, 2020 grew to 17.5%, from 14.8% for the same period in 2019. The increase in gross margin was primarily attributable to the increase in project activity in our expanded service lines at higher margins across all regions.

Such gross margin represents electrical construction revenue less electrical construction costs and expenses (excluding depreciation and amortization, selling, general and administrative expenses, and any gains or losses on the sale of property and equipment), divided by electrical construction revenue.

Gross margin on real estate development for the three months ended September 30, 2020 decreased to 32.9%, from 33.5% for the same period in 2019. This decrease was due to the type of units sold in the three months ended September 30, 2020, when compared to the same period in 2019.

Such gross margin represents real estate development revenue less real estate development costs and expenses (excluding depreciation and amortization, selling, general and administrative expenses, and (gain) loss on sale of property and equipment), divided by real estate development revenue.

The following table provides a reconciliation of our net income to EBITDA (a non-GAAP financial measure) for the three months ended September 30, 2020 and 2019:

	2020	2019
Net income (GAAP as reported)	\$ 1,091,751	\$ 1,162,002
Interest expense, net of amount capitalized	215,063	367,244
Provision for income taxes	632,467	592,413
Depreciation and amortization (1)	3,056,457	2,728,988
EBITDA	<u>\$ 4,995,738</u>	<u>\$ 4,850,647</u>

(1) Depreciation and amortization includes depreciation on property, plant and equipment and amortization of finite-lived intangible assets.

EBITDA, a non-GAAP performance measure used by management, is defined as net income plus: interest expense, provision (benefit) for income taxes and depreciation and amortization, as shown in the table above. EBITDA, a non-GAAP financial measure, does not purport to be an alternative to net income as a measure of operating performance or to net cash flows provided by operating activities as a measure of liquidity. Because not all companies use identical calculations, this presentation of EBITDA may not be comparable to other similarly-titled measures of other companies. We use, and we believe investors benefit from the presentation of, EBITDA in evaluating our operating performance because it provides us and our investors with an additional tool to compare our operating performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect our core operations. We believe that EBITDA is useful to investors and other external users of our financial statements in evaluating our operating performance because EBITDA is widely used by investors to measure a company's operating performance without regard to items such as interest expense, taxes, and depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired.

Using EBITDA as a performance measure has material limitations as compared to net income, or other financial measures as defined under GAAP as it excludes certain recurring items which may be meaningful to investors. EBITDA excludes interest expense; however, as we have borrowed money in order to finance transactions and operations, interest expense is an element of our cost structure and can affect our ability to generate revenue and returns for our stockholders. Further, EBITDA excludes depreciation and amortization; however, as we use capital and intangible assets to generate revenues, depreciation and amortization are a necessary element of our costs and ability to generate revenue. Finally, EBITDA excludes income taxes; however, as we are organized as a corporation, the payment of taxes is a necessary element of our operations. As a result of these exclusions from EBITDA, any measure that excludes interest expense, depreciation and amortization and income taxes has material limitations as compared to net income. When using EBITDA as a performance measure, management compensates for these limitations by comparing EBITDA and net income in each period, so as to allow for the comparison of the performance of the underlying core operations with the overall performance of the company on a full-cost, after-tax basis. Using both EBITDA and net income to evaluate the business allows management and investors to (a) assess our relative performance against our competitors and (b) monitor our capacity to generate returns for our stockholders.

Costs and Expenses

Total costs and expenses increased by \$3.9 million to \$46.5 million for the three months ended September 30, 2020, from \$42.7 million for the same period in 2019, commensurate with the higher level of electrical construction operations, as well as increases in selling, general and administrative and depreciation expenses, partially offset by lower real estate development operation expenses.

The following table sets forth selling, general and administrative (“SG&A”) expenses for the three months ended September 30, 2020 and 2019:

	2020	2019
Electrical construction	\$ 573,488	\$ 523,899
Real estate development	218,453	351,242
Corporate	2,841,858	1,287,219
Total	<u>\$ 3,633,799</u>	<u>\$ 2,162,360</u>

SG&A expenses increased by \$1.5 million to \$3.6 million from \$2.2 million for the three months ended September 30, 2020, when compared to the same period in 2019. Approximately \$1.4 million of the increase in SG&A expenses was due to the settlement of amounts owed, including employment agreement and death benefits, to the estate of our former Chief Executive Officer who passed away in August 2020. As a percentage of revenue, SG&A expenses increased to 7.5% for 2020, from 4.8% for the same period in 2019, due primarily to the aforementioned increase in SG&A expenses.

The following table sets forth depreciation and amortization expense for the three months ended September 30, 2020 and 2019:

	2020	2019
Electrical construction	\$ 3,018,610	\$ 2,695,012
Real estate development	8,411	6,926
Corporate	29,436	27,050
Total	<u>\$ 3,056,457</u>	<u>\$ 2,728,988</u>

Depreciation and amortization expense increased \$0.3 million, or 12.0%, to \$3.1 million for the three months ended September 30, 2020, from \$2.7 million for the three months ended September 30, 2019, as a result of an increase in capital expenditures.

Income Taxes

The following table presents our provision for income tax and effective income tax rate from continuing operations for the three months ended September 30, 2020 and 2019:

	2020	2019
Income tax provision	\$ 632,467	\$ 592,413
Effective income tax rate	36.7 %	33.8 %

Our effective tax rate for the three months ended September 30, 2020 was 36.7% and differs from the federal statutory rate of 21% due to nondeductible expenses and state income taxes offset by the impact of discrete items. It is higher than our expected annual tax rate of 27.3% due to current quarter increases in discrete items and nondeductible expenses in relation to expected income from prior quarters. Our effective tax rate for the three months ended September 30, 2019 was 33.8% and differs from the federal statutory rate of 21% due to nondeductible expenses and state income taxes.

Liquidity and Capital Resources**Working Capital Analysis**

Our primary cash needs have been for capital expenditures and working capital. Our primary sources of cash have been cash flow from operations and borrowings under our lines of credit and equipment financing. As of September 30, 2020, we had cash and cash equivalents of \$20.6 million and working capital of \$40.2 million, as compared to cash and cash equivalents of \$23.3 million, and working capital of \$36.7 million as of December 31, 2019.

In addition to cash flow from operations, we have a \$23.0 million revolving line of credit, of which \$12.3 million was available for borrowing as of September 30, 2020. This revolving line of credit is used as a Working Capital Loan, as discussed in note 5 to the consolidated financial statements. As a credit guarantor to Truist Bank, we are contingently liable for the guaranty of a subsidiary obligation under an irrevocable letter of credit primarily related to workers’ compensation. The amount of this letter of credit was \$0.7

[Table of Contents](#)

million and \$0.6 million as of September 30, 2020 and December 31, 2019, respectively, and is deducted from the amount available for borrowing under the Working Capital Loan. On October 5, 2020, the Company made a payment of \$5.0 million on the Working Capital Loan.

We anticipate that this cash on hand, our credit facilities and our future cash flows from operating activities will provide sufficient cash to enable us to meet our operating needs and debt requirements for the next twelve months.

Cash Flow Analysis

The following table presents our net cash flows for each of the nine months ended September 30, 2020 and 2019:

	2020	2019
Net cash provided by operating activities	\$ 1,948,222	\$ 20,372,833
Net cash used in investing activities	(12,713,999)	(15,757,076)
Net cash provided by financing activities	8,087,500	4,601,233
Net (decrease) increase in cash and cash equivalents	\$ (2,678,277)	\$ 9,216,990

Operating Activities

Cash flows from operating activities are comprised of net income, adjusted to reflect the timing of cash receipts and disbursements therefrom. Our cash flows are influenced by the level of operations, operating margins and the types of services we provide, as well as the stages of our electrical construction projects.

Cash provided by our operating activities totaled \$1.9 million for the nine months ended September 30, 2020, compared to cash provided by operating activities of \$20.4 million for the same period in 2019. The decrease in cash flows from operating activities was approximately \$18.4 million and was mainly due to the changes in our costs and estimated earnings in excess of billings on uncompleted contracts, which totaled a decrease of \$13.9 million and the changes in our residential properties under construction which totaled a decrease of \$5.7 million. Operating cash flows normally fluctuate relative to the needs of our electrical construction and real estate development projects.

Investing Activities

Cash used in investing activities for the nine months ended September 30, 2020, was \$12.7 million, compared to cash used in investing activities of \$15.8 million for the same period in 2019. The decrease in cash used in our investing activities for the nine months ended September 30, 2020, when compared to 2019, is primarily attributable to the decrease in capital expenditures for the nine months ended September 30, 2020, when compared to the same period in 2019. Capital expenditures for the nine months ended September 30, 2020 were \$13.0 million, compared to capital expenditures of \$16.2 million for the same period in 2019. Our capital spending for the nine months ended September 30, 2020 of \$13.0 million includes assets placed in service in 2019 but not paid until 2020 totaling \$0.1 million. Our capital spending for the nine months ended September 30, 2019 of \$16.2 million includes assets placed in service in 2018, but not paid until 2019 totaling \$2.5 million. Our capital spending for 2020 is expected to total approximately \$16.2 million. Our capital expenditures are mainly for the purchases of equipment, primarily trucks and heavy machinery, used by our electrical construction operations for the upgrading and replacement of equipment. The majority of our capital budget is for continued expansion and upgrading of our fleet and the conversion of leases for our electrical construction operations. We plan to fund these purchases through our cash on hand and equipment financing, consistent with past practices.

Financing Activities

Cash provided by financing activities for the nine months ended September 30, 2020 was \$8.1 million, compared to cash provided by financing activities of \$4.6 million for the same period in 2019. Our financing activities for the nine months ended September 30, 2020 consisted of borrowings of \$10.0 million on our Working Capital Loan, borrowings of \$4.5 million on our \$4.5 Million Equipment Loan, repayments of \$5.9 million on our \$38.2 Million Equipment Loan and repayments of \$0.6 million on our \$4.5 Million Equipment Loan (as these loans are defined in note 5 to the consolidated financial statements). Our financing activities for the nine months ended September 30, 2019 consisted of borrowings of \$15.5 million and repayments of \$5.4 million on our \$38.2 Million Equipment Loan, repayments of \$5.0 million (as these loans are defined in note 5 to the consolidated financial statements) and repayments of \$0.3 million on our other long-term debt, as well as debt issuance costs of \$58,000. Our financing activities for the nine months ended September 30, 2019, also included the repurchase of 67,709 shares of common stock totaling \$161,000.

We have paid no cash dividends on our Common Stock since 1933, and it is not expected that we will pay any cash dividends on our Common Stock in the immediate future.

Days of Sales Outstanding Analysis

We evaluate fluctuations in our “accounts receivable and accrued billings” and “costs and estimated earnings in excess of billings on uncompleted contracts,” for our electrical construction operations, by comparing days of sales outstanding (“DSO”). We calculate DSO as of the end of any period by utilizing the respective quarter’s electrical construction revenue to determine sales per day. We then divide “accounts receivable and accrued billings, net of allowance for doubtful accounts” at the end of the period, by sales per day, to calculate DSO for accounts receivable. To calculate DSO for costs and estimated earnings in excess of billings, we divide “costs and estimated earnings in excess of billings on uncompleted contracts,” by sales per day.

For the quarters ended September 30, 2020 and 2019, our DSO for accounts receivable and accrued billings were 52 and 49, respectively, and our DSO for costs and estimated earnings in excess of billings on uncompleted contracts were 47 and 28, respectively. The increase in our DSO for costs and estimated earnings in excess of billings and the increase in our DSO for accounts receivable for the quarter ended September 30, 2020, when compared to the same quarterly period in 2019, was mainly due to the timing of project billings and cash collections. As of November 3, 2020, we have received approximately 92.1% of our September 30, 2020 outstanding trade accounts receivable and have billed 40.6% of our costs and estimated earnings in excess of billings balance.

Income Taxes Paid

Net income tax refunded was \$324,000 for the nine months ended September 30, 2020 due to \$2.1 million refunded for prior year income tax liability payments offset by payments of \$1.7 million for the 2020 estimated tax liability and \$72,000 for the 2019 tax liability. Refunds include \$823,000 for the 2018 net operating loss carryback, \$1.2 million for the 2018 federal tax overpayment and a state mandated \$74,000 for the 2018 income tax year. Income tax payments were \$480,000 for the nine months ended September 30, 2019 of which \$355,000 was for the 2019 estimated tax liability and the remaining \$125,000 for the 2018 income tax liability.

Debt Covenants

Our debt arrangements contain various financial and other covenants including cross-default provisions whereby any default under any loans of the Company (or its subsidiaries) with the lender, will constitute a default under all of the other loans of the Company (and its subsidiaries) with the lender. The most significant of the covenants are: maximum debt to tangible net worth ratio and fixed charge coverage ratio. We must maintain: a tangible net worth of at least \$20.0 million calculated quarterly; no more than \$2.0 million in outside debt (with certain exceptions); a maximum debt to tangible net worth ratio of no greater than 2.5 : 1.0 and a fixed charge coverage ratio that is to equal or exceed 1.3 : 1.0. The fixed charge coverage ratio is calculated annually using EBITDAR (earnings before interest, taxes, depreciation, amortization and rental expense) divided by the sum of CPLTD (current portion of long-term debt), interest expense and rental expense. We were in compliance with all of our covenants as of September 30, 2020.

The following are computations of these most significant financial covenants:

Covenants Measured at Each Quarter End:	Covenant	Actual as of September 30, 2020
Tangible net worth minimum	\$ 20,000,000	\$ 70,588,941
Outside debt not to exceed	\$ 2,000,000	\$ —
Maximum debt/tangible net worth ratio not to exceed	2.50 : 1.00	1.25 : 1.00
Covenants Measured Only at Year End:		
Earnings to fixed charge coverage ratio must equal or exceed	1.30 : 1.00	2.37 : 1.00

Forecast

We anticipate our cash on hand and cash flows from operations and credit facilities will provide sufficient cash to enable us to meet our working capital needs, debt service requirements and planned capital expenditures, for at least the next twelve months. The amount of our planned capital expenditures will depend, to some extent, on the results of our future performance. Currently, our capital expenditures have continued as planned. However, our revenue, results of operations and cash flows, as well as our ability to seek additional financing, may be negatively impacted by factors including, but not limited to: a decline in demand for electrical construction services, general economic conditions, heightened competition, availability of construction materials, increased interest rates, adverse weather conditions and any adverse effects of the COVID-19 pandemic.

Off-Balance Sheet Arrangements

We do not have any outstanding derivative financial instruments, off-balance sheet guarantees, interest rate swap transactions or foreign currency forward contracts. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the United States Securities and Exchange Commission, and that such information is accumulated and communicated to our management in a timely manner. An evaluation was performed under the supervision and with the participation of our management, including Stephen R. Wherry, our Chief Financial Officer and Acting Co-Chief Executive Officer, and Jason M. Spivey, our Acting Co-Chief Executive Officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of September 30, 2020. Based upon this evaluation, our management, including Mr. Wherry and Mr. Spivey, concluded that our disclosure controls and procedures were effective, as of September 30, 2020, at the reasonable assurance level.

Changes in internal control

Our management, with the participation of Mr. Wherry and Mr. Spivey, is responsible for evaluating changes in our internal control over financial reporting that occurred during the third quarter of 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. No changes in our internal control over financial reporting occurred during the third quarter of 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the effectiveness of controls

A control system, no matter how well conceived and operated, can provide only reasonable assurance, not absolute assurance, that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that the design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies and procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is not currently involved in any material legal proceedings.

Item 1A. Risk Factors.

Except as set forth below, there have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019.

Our operations and results could be adversely affected by the global pandemic COVID-19

We are continuously monitoring the COVID-19 pandemic, as the effects have varied from customer to customer and region to region, and are changing almost daily. We believe our customers may face various challenges related to the COVID-19 environment, including challenges related to current regulations and the ongoing changes to those regulations. In the short term we may see some disruption to our operations, including potential project start and permitting delays.

The outbreak of COVID-19 has severely impacted global economic activity and caused significant volatility and negative pressure in financial markets. The global impact of the outbreak has been rapidly evolving and many countries, including the United States, have reacted by instituting quarantines, mandating business and school closures and restricting travel. Although some of the restrictions are beginning to be lifted, many experts predict that the outbreak will trigger a period of global economic slowdown or a global recession. COVID-19 or another pandemic could have material and adverse effects on our results of operations, financial condition and cash flows due to, among other factors:

- the decline in customer demand as a result of general decline in business activity;
- the destabilization of the markets and decline in business activity negatively impacting our customer growth in the number of customers in our services territory as well as our customers' ability to pay for our services when due (or at all);
- delay in obtaining or inability to obtain regulatory actions and outcomes that could be material to our business, including construction permits;
- delay or inability to procure essential equipment, supplies or materials in adequate quantities and at acceptable prices;
- difficulty accessing the capital and credit markets on favorable terms, or at all, and a severe disruption and instability in the global financial markets, or deteriorations in credit and financing conditions which could affect our access to capital necessary to fund business operations or address maturing liabilities on a timely basis; and
- negative impacts on the health of our labor force, including subcontractors.

The rapid development and fluidity of this situation means we are unable to predict the impact that COVID-19 will have on our consolidated financial statements in future periods. Nevertheless, COVID-19 presents material uncertainty which could adversely and materially affect our results of operations, financial condition and cash flows. We are closely monitoring our efforts to manage the impact of the pandemic on all aspects of our business, results of operation and consolidated financial statements.

To the extent COVID-19 adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section, such as those relating to our customer concentration and their spending patterns and the availability of skilled labor.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(a) None.

(b) None.

(c) None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

10-1	Form of Retention Bonus Agreement, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated October 7, 2020, heretofore filed with the Commission (File No. 1-7525)
31-1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 15 U.S.C. Section 7241
31-2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 15 U.S.C. Section 7241
31-3	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 15 U.S.C. Section 7241
32-1 (1)	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibit 101).

(1) This exhibit is furnished in accordance with Regulation S-K Item 601(b)(32) and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability of that section. This exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: November 4, 2020

THE GOLDFIELD CORPORATION

By: /s/ STEPHEN R. WHERRY
Stephen R. Wherry
Acting Co-Chief Executive Officer, Senior Vice President, Chief Financial
Officer, Treasurer and Assistant Secretary
(Co-Principal Executive Officer and Principal Financial and Accounting Officer)

/s/ JASON M. SPIVEY
Jason M. Spivey
Acting Co-Chief Executive Officer
(Co-Principal Executive Officer)

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY
ACT OF 2002 15 U.S.C. SECTION 7241**

I, Stephen R. Wherry, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Goldfield Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STEPHEN R. WHERRY

Stephen R. Wherry
Acting Co-Chief Executive Officer
(Co-Principal Executive Officer)
November 4, 2020

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY
ACT OF 2002 15 U.S.C. SECTION 7241**

I, Stephen R. Wherry, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Goldfield Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STEPHEN R. WHERRY

Stephen R. Wherry
Senior Vice President, Chief Financial Officer,
Treasurer and Assistant Secretary
(Principal Financial and Accounting Officer)
November 4, 2020

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY
ACT OF 2002 15 U.S.C. SECTION 7241**

I, Jason M. Spivey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Goldfield Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JASON M. SPIVEY

Jason M. Spivey
Acting Co-Chief Executive Officer
(Co-Principal Executive Officer)
November 4, 2020

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of The Goldfield Corporation (the "Company") on Form 10-Q for the quarterly period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), We, Stephen R. Wherry, Co-Principal Executive Officer of the Company, and Jason M. Spivey Co-Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to The Goldfield Corporation and will be retained by The Goldfield Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ STEPHEN R. WHERRY

Stephen R. Wherry
Acting Co-Chief Executive Officer
(Co-Principal Executive Officer)
November 4, 2020

/s/ JASON M. SPIVEY

Jason M. Spivey
Acting Co-Chief Executive Officer
(Co-Principal Executive Officer)
November 4, 2020