SKANSKA

06. Financial Stability

Provide a financial stability statement indicating the firm has the necessary resources (human and financial) to provide the services at the level required by the County. The County reserves the right to request a financial statement, a certified audit, or a third party prepared financial statement. The County reserves the right to use a third-party company to verify financial information provided. Provide similar information for a subcontractor or joint venture arrangement.

SKANSKA

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Our Financial Strength

Skanska USA had a revenue of $6.5 billion total in U.S. in 2020. Skanska has a very strong bonding capacity of $10 billion.

Audited Financial Statements

The following pages contain an audited copy of our Skanska USA Building Inc. 2019 and 2020 audited financial statements.

Consolidated Financial Statements

Skanska USA Building Inc. and Subsidiaries
Years Ended December 31, 2020 and 2019
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

CONFIDENTIAL

Skanska USA Building Inc. and Subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

Contents

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Report of Independent Auditors

The Stockholder and Board of Directors of
Skanska USA Building Inc.

We have audited the accompanying consolidated financial statements of Skanska USA Building Inc. and subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Skanska USA Building Inc. and subsidiaries at December 31, 2020 and 2019, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

February 18, 2021

Skanska USA Building Inc. and Subsidiaries

Consolidated Balance Sheets

	December 31 2020	December 31 2019
Assets		
Current assets:		
Cash and cash equivalents	**$ 469,181,954**	$ 468,588,864
Accounts receivable, net	**628,634,909**	781,245,548
Contract assets	**115,328,314**	115,819,909
Investments in construction joint ventures	**85,046,691**	59,557,809
Due from affiliated organizations	**88,282**	111,865
Prepaid expenses and other current assets	**63,245,096**	73,904,095
Total current assets	**1,361,525,246**	1,499,228,090
Fixed assets, net	**17,815,057**	17,801,696
Goodwill	**53,209,146**	53,209,146
Right of use assets	**45,400,455**	44,763,464
Deferred tax assets, net	**22,595,063**	19,578,727
Other assets	**18,343,597**	16,460,457
Total assets	**$ 1,518,888,564**	$ 1,651,041,580
Liabilities and equity		
Current liabilities:		
Accounts payable	**$ 789,548,040**	$ 893,031,274
Contract liabilities	**111,875,123**	138,671,383
Lease liabilities	**13,131,535**	13,002,139
Notes payable	**–**	24,983,333
Accrued expenses and other current liabilities	**226,813,117**	240,726,635
Due to affiliated organizations	**2,382,911**	3,483,221
Income tax payable	**6,858,482**	63,154
Total current liabilities	**1,150,609,208**	1,313,961,139
Lease liabilities noncurrent	**36,254,054**	35,738,063
Other long-term liabilities	**18,343,597**	16,468,758
Total liabilities	**1,205,206,859**	1,366,167,960
Commitments and contingencies *(Notes 5 and 7)*		
Equity:		
Skanska USA Building Inc. stockholder's equity:		
Common stock, $1 par value. Authorized, 3,000 shares; issued and outstanding, 1,000 shares	**1,000**	1,000
Additional paid-in capital	**74,259,269**	74,259,269
Retained earnings	**227,490,660**	208,670,867
Accumulated other comprehensive income	**1,927,839**	1,218,792
Total Skanska USA Building Inc. stockholder's equity	**303,678,768**	284,149,928
Noncontrolling interests	**10,002,937**	723,692
Total equity	**313,681,705**	284,873,620
Total liabilities and equity	**$ 1,518,888,564**	$ 1,651,041,580

See accompanying notes to consolidated financial statements.

Skanska USA Building Inc. and Subsidiaries

Consolidated Statements of Operations

	Year Ended December 31	
	2020	**2019**
Construction revenues earned	**$4,502,846,631**	$ 5,323,675,555
Direct cost of revenues earned	**4,329,628,132**	5,149,821,477
Gross profit	**173,218,499**	173,854,078
Selling, general, and administrative expenses	**96,003,416**	106,743,836
Depreciation and amortization	**5,082,045**	4,945,089
Operating income	**72,133,038**	62,165,153
Other income (expense):		
Interest income, net	**3,031,792**	16,351,179
Royalty expense	**(35,200,000)**	(39,800,000)
Other expense	**(3,336,712)**	(5,251,194)
Other expense, net	**(35,504,920)**	(28,700,015)
Income before income tax expense	**36,628,118**	33,465,138
Income tax expense	**7,683,945**	6,325,418
Net income	**28,944,173**	27,139,720
Net income attributable to noncontrolling interests	**10,124,380**	4,540,057
Net income attributable to Skanska USA Building Inc.	**$ 18,819,793**	$ 22,599,663

See accompanying notes to consolidated financial statements.

Skanska USA Building Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

	Year Ended December 31	
	2020	**2019**
Net income	**$ 28,944,173**	$ 27,139,720
Unrealized gain on marketable securities, net of tax	**688,214**	459,933
Foreign currency translation adjustments	**20,833**	(292,055)
Comprehensive income	**$ 29,653,220**	$ 27,307,598
Related tax provision of other comprehensive income:		
Marketable securities	**$ (260,400)**	$ (168,281)

See accompanying notes to consolidated financial statements.

Skanska USA Building Inc. and Subsidiaries

Consolidated Statements of Changes in Equity

		Skanska USA Building Inc. Stockholder				
	Total Equity	**Common Stock**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Noncontrolling Interests**
Balance at December 31, 2018	$ 313,912,247	$ 1,000	$ 74,259,269	$ 242,250,920	$ 1,050,914	$ (3,649,856)
Net income	27,139,720	–	–	22,599,663	–	4,540,057
Contributions	25,000	–	–	–	–	25,000
Distributions	(191,509)	–	–	–	–	(191,509)
Dividends paid	(75,000,000)	–	–	(75,000,000)	–	–
Forgiveness of amount due to affiliate	18,820,284	–	–	18,820,284	–	–
Foreign currency translation adjustments	(292,055)	–	–	–	(292,055)	–
Unrealized gain on marketable securities, net of tax	459,933	–	–	–	459,933	–
Balance at December 31, 2019	284,873,620	1,000	74,259,269	208,670,867	1,218,792	723,692
Net income	**28,944,173**	**–**	**–**	**18,819,793**	**–**	**10,124,380**
Distributions	**(845,135)**	**–**	**–**	**–**	**–**	**(845,135)**
Foreign currency translation adjustments	**20,833**	**–**	**–**	**–**	**20,833**	**–**
Unrealized gain on marketable securities, net of tax	**688,214**	**–**	**–**	**–**	**688,214**	**–**
Balance at December 31, 2020	**$ 313,681,705**	**$ 1,000**	**$ 74,259,269**	**$ 227,490,660**	**$ 1,927,839**	**$ 10,002,937**

See accompanying notes to consolidated financial statements.

Skanska USA Building Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended December 31 2020	2019
Operating activities		
Net income	**$ 28,944,173**	$ 27,139,720
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	**5,082,045**	4,945,089
Loss on sale of fixed assets	**204,140**	317,043
Earnings from construction joint ventures	**(32,221,067)**	(39,102,547)
Distributions from construction joint ventures	**6,732,185**	2,045,079
Deferred taxes, net	**(3,276,560)**	566,819
Changes in assets and liabilities:		
Accounts receivable, net	**152,610,639**	22,757,798
Contract assets	**496,998**	52,568,074
Income tax receivable	**–**	1,454,658
Prepaid expenses and other current assets	**10,658,999**	3,740,458
Due to/from affiliated organizations	**(1,076,727)**	(13,562,930)
Net change in lease assets	**8,396**	45,889
Accounts payable	**(103,483,234)**	(113,083,725)
Contract liabilities	**(26,796,260)**	(6,681,001)
Accrued expenses and other current liabilities	**(13,913,518)**	(1,308,332)
Income tax payable	**6,795,469**	(83,416)
Other long-term liabilities	**1,874,839**	1,628,441
Net cash provided by (used in) operating activities	**32,640,517**	(56,612,883)
Investing activities		
Purchase of marketable securities	**(2,294,886)**	(1,298,203)
Sale of marketable securities	**1,360,360**	297,976
Contributions to construction joint ventures	**(178,000)**	–
Distributions from construction joint ventures	**178,000**	–
Purchase of fixed assets	**(5,391,571)**	(7,340,944)
Proceeds from sale of fixed assets	**92,025**	40,144
Net cash used in investing activities	**(6,234,072)**	(8,301,027)
Financing activities		
Issuances of notes payable	**187,376,799**	674,383,333
Payments of notes payable	**(212,360,132)**	(686,875,000)
Contributions from noncontrolling interests	**–**	25,000
Distributions to noncontrolling interests	**(845,135)**	(191,509)
Dividends paid	**–**	(75,000,000)
Net cash used in financing activities	**(25,828,468)**	(87,658,176)
Effect of exchange rate on cash and cash equivalents	**15,113**	760,279
Net increase (decrease) in cash and cash equivalents	**593,090**	(151,811,807)
Cash and cash equivalents at beginning of year	**468,588,864**	620,400,671
Cash and cash equivalents at end of year	**$ 469,181,954**	$ 468,588,864

Skanska USA Building Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	Year Ended December 31	
	2020	**2019**
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Income tax, net of tax refunds received	**$ 4,363,351**	$ 4,996,735
Interest	**$ 72,486**	$ 825,683
Operating lease liabilities	**$ 15,871,468**	$ 16,210,824
Supplemental disclosure of noncash activities		
Unrealized gain on marketable securities, net of tax	**$ 688,214**	$ 459,933
Forgiveness of amount due to affiliate	**$ –**	$ 18,820,284
Right of use assets obtained in exchange for lease obligations	**$ 14,406,963**	$ 12,186,434

See accompanying notes to consolidated financial statements.

1. Organization and Summary of Significant Accounting Principles

Organization

Skanska USA Building Inc. (the Company) is a wholly owned subsidiary of Skanska USA Inc. (the Parent), which in turn is a wholly owned subsidiary of Skanska Inc. (Skanska). Skanska is a wholly owned subsidiary of Skanska AB. The Company is primarily engaged in the field of construction management and general contracting with locations throughout the United States and in Ireland. Construction projects include corporate offices and headquarters, research and development facilities, educational buildings, retail projects, multiunit residential buildings, hotels and resorts, entertainment venues, process facilities, airports, and high-tech facilities.

During 2019, the Company paid a cash dividend to the Parent totaling $75,000,000.

Principles of Reporting and Consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) and include the accounts of the Company and all wholly owned subsidiaries. The wholly owned subsidiaries as of December 31, 2020 include the following entities:

- Skanska Ireland Construction Services Ltd.
- R. Ryan Building Corp.
- SSC Holdings Inc.
- Turnkey Construction Services, Inc.

The Company also consolidates all entities that it controls by ownership of a majority voting interest, as well as variable interest entities (VIEs) for which the Company is the primary beneficiary. All significant intercompany transactions and balances have been eliminated in consolidation.

1. Organization and Summary of Significant Accounting Principles (continued)

Operating Cycle

The length of the Company's contracts varies, but is typically between one and two years. In accordance with normal practice in the construction industry, the Company includes asset and liability accounts relating to construction contracts in current assets and liabilities even when such amounts are realizable or payable over a period in excess of one year.

Revenue Recognition

The Company's revenues are primarily derived from long-term construction contracts.

On January 1, 2019, the Company adopted Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. To achieve the core principles of this standard, the Company applies the following five steps in accordance with ASC 606:

1) Identify the contract with a customer

A contract with a customer exists when the parties have approved the contract and are committed to perform their respective obligations, the rights of the parties can be identified, payment terms can be identified, the arrangement has commercial substance, and collectability of consideration is probable. Judgment is required when determining whether the contractual criteria are met, specifically in the earlier stages of a project when a formally executed contract may not yet exist. In these situations, the Company evaluates all relevant facts and circumstances, including the existence of other forms of documentation or historical experience with customers that may indicate a contractual agreement is in place and revenue should be recognized. In determining whether the collectability of consideration is probable, the Company considers the customer's ability and intention to pay such consideration.

1. Organization and Summary of Significant Accounting Principles (continued)

2) Identify the performance obligations in the contract

A performance obligation is a promise to the customer to transfer goods or services that are distinct, or a series of distinct goods or services that are essentially the same and follow the same model for transfer to the customer. Goods or services are distinct if the customer can benefit from the goods or services either on its own or in combination with other resources that are readily available to the customer and if the Company's promise to transfer the goods or services to the customer is separately identifiable from the other promises in the contract. The Company's contracts are generally of the type that do not require categorization into two or more performance obligations. However, contract modifications are common. A contract modification involves a change to the scope or price (or both) of a contract that has been approved by the contracting parties. A contract modification exists when the parties approve a change that either creates new or changes existing rights and responsibilities for the contracting parties. A contract modification is treated as a separate performance obligation when the scope of the contract increases due to the addition of promised goods or services that are distinct and where the price of the contract is raised by an amount reflecting the Company's stand-alone selling price for the additional goods or services promised. In most cases, the added goods or services are not distinct and therefore form part of a single performance obligation that is partially met at the time of the contract modification and is reported as being a part of the existing contract.

In addition, when assessing performance obligations within a contract, the Company considers warranty provisions within such contract. The Company's warranty obligations, which are standard and typical of the industry and are not a separate performance obligation, are generally passed down to the subcontractor responsible for the warrantied scope of work. Warranty costs borne by the Company are historically immaterial and a warranty reserve has been established.

3) Determine the transaction price

Determining the transaction price involves establishing a fixed agreed price, variable consideration, any contingent considerations, bonuses, and penalties. If there is variable consideration, an estimate is made to the highest amount of revenue that will likely not require a reversal of accumulated revenue in later reporting periods.

1. Organization and Summary of Significant Accounting Principles (continued)

Pending change orders represent one of the most common forms of variable consideration included within contract value and typically represent contract modifications for which a change in scope has been authorized or acknowledged by a customer, but the final adjustment to the contract price is yet to be negotiated. In estimating the transaction price for pending change orders, the Company considers all relevant facts, including documented correspondence with the customer regarding acknowledgment and/or agreement with the modification, as well as historical experience with the customer or similar contractual circumstances. Based upon this assessment, the Company estimates the transaction price, including whether the variable consideration constraint should be applied.

Contract claims are another form of variable consideration that is common within the construction industry. Claim amounts represent revenue that has been recognized for contract modifications that are not submitted or are in dispute as to both scope and price. In estimating the transaction price for claims, the Company considers all relevant facts available. However, given the uncertainty surrounding claims, including the potential long-term nature of dispute resolution and the broad range of possible consideration, amounts claimed for additional contract revenues and profits on such claims generally are not recognized in the accounts until such claims have been approved by the customers. The resolution of claims involves negotiations and, in certain cases, litigation. In the event litigation costs are incurred by the Company in connection with claims, such litigation costs are expensed as incurred, although the Company may seek to recover these costs.

Changes in the estimates of transaction prices are recognized on a cumulative catch-up basis in the period in which the revisions to the estimates are made. Such changes in estimates can result in the recognition of revenue in a current period for performance obligations that were satisfied or partially satisfied in prior periods. Such changes in estimates may also result in the reversal of previously recognized revenue if the outcome differs from the Company’s previous estimate.

4) Allocate the transaction price to performance obligations in the contract

The revenue/transaction price is allocated over the separate performance obligations in the contract if more than one obligation exists. The allocated transaction price for each individual obligation reflects the consideration that the Company is expecting to have the right to, in exchange for the transfer of the promised goods or services to the customer, based on a relative stand-alone selling price.

1. Organization and Summary of Significant Accounting Principles (continued)

5) Recognize revenue as performance obligations are satisfied

Revenue is recognized when the performance obligation is satisfied, either over time or at a point in time, and when the customer obtains control of the asset. Revenue is recognized over time when the customer simultaneously receives and consumes the benefits provided through the entity's performance, when the entity's performance creates or enhances an asset that the customer controls, or when the Company's performance does not create an asset with an alternative use for the Company and the Company also has the right to payment for its performance obligations to date. The Company's performance obligations are generally satisfied over time and revenue is recognized over time by measuring the progress toward complete satisfaction of each performance obligation.

Due to uncertainties in the estimation process, it is possible that estimates of costs to complete a performance obligation will be revised. Changes in total estimated costs, and related progress towards complete satisfaction of the performance obligation, are recognized on a cumulative catch-up basis in the period in which the revisions to the estimates are made.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes significant estimates regarding revenue, impairments, the allowance for doubtful accounts, and deferred costs. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. During 2020, there has been a global outbreak and spread of COVID-19, which has adversely impacted many industries. The impact of COVID-19 on companies is evolving rapidly, and the extent and duration of the economic fallout from this pandemic, both globally and to the Company, remain unclear, making any estimate or assumption as of December 31, 2020 inherently less certain than they would be absent the current and potential impacts of COVID-19. The most significant estimates relate to the estimates of future construction costs and profit margin on construction contracts. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions. Management adjusts such estimates when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ from those estimates.

1. Organization and Summary of Significant Accounting Principles (continued)

Cash and Cash Equivalents

In accordance with its cash management practices, the Company includes in cash and cash equivalents short-term deposits with an affiliate totaling approximately $386,616,000 and $456,961,000 as of December 31, 2020 and 2019, respectively. Such amounts mature daily and earn interest at rates ranging from 0.04% to 1.60% in 2020 and 1.55% to 2.45% in 2019. The Company considers cash equivalents to be highly liquid investments with maturities of three months or less at date of purchase.

Fixed Assets, Net

Fixed assets are stated at cost, net of accumulated depreciation. Major renewals and improvements are capitalized, while replacements, maintenance, and repairs that do not improve or extend the life of the respective assets, are expensed currently. At the time an asset is retired or disposed, the cost and related accumulated depreciation are removed and any gain or loss is credited or charged to operating income. Depreciation is recorded over the estimated useful lives of the various classes of fixed assets using the straight-line method, which range from 3 to 20 years.

The Company capitalizes certain costs related to acquisition and development of software that is used internally. Training and maintenance costs are expensed as incurred. The capitalized costs are amortized on a straight-line basis over the estimated useful lives of the software, which ranges from 3 to 7 years.

Goodwill

Goodwill represents the excess of costs over fair value of the identifiable net assets of businesses acquired. Goodwill acquired in a purchase business combination is not amortized, but instead is tested for impairment at least annually.

Goodwill is tested annually for impairment or more frequently if events and circumstances indicate that the asset might be impaired. Any impairment loss is recognized to the extent the carrying amount exceeds the asset's fair value. The Company's evaluation indicates that no impairment loss is required for the years ended December 31, 2020 or 2019.

1. Organization and Summary of Significant Accounting Principles (continued)

Construction Joint Ventures

The Company determines whether its investments in construction joint ventures represent interests in VIEs and, if so, whether the Company is the primary beneficiary. If the Company is the primary beneficiary of the VIE or otherwise controls the joint venture, the Company is required to consolidate the operations of the joint venture.

Where the Company consolidates its construction joint ventures, the other ventures' interest in the construction joint venture is included in noncontrolling interests on the accompanying consolidated balance sheets. The net income attributable to noncontrolling interests on the consolidated statements of operations represents the joint ventures' share of current year earnings of the joint venture.

At December 31, 2020, the assets and liabilities of the joint ventures consolidated by the Company were approximately $200,710,000 and $174,195,000, respectively. At December 31, 2019, the assets and liabilities of the joint ventures consolidated by the Company were approximately $130,926,000 and $100,273,000, respectively.

Construction joint ventures in which the Company has investments typically include joint and several liability terms, which means that the Company is jointly and severally liable for all obligations and liabilities of the joint venture. These construction joint ventures are generally profitable; however, should a project experience a loss, the Company has exposure to the loss. Provisions are made for the full amounts of anticipated losses in the periods in which they are first determinable.

If the Company is not the primary beneficiary of a VIE or does not otherwise control the joint venture, the Company accounts for its investments in these construction joint ventures using the equity method of accounting to account for its interests in the assets and liabilities of the joint ventures on the consolidated balance sheets. In all of these joint ventures, the rights of the joint venture partner are both protective as well as participating. Unless we are determined to be the primary beneficiary in a VIE, these participating rights preclude us from consolidating these VIE entities. Consistent with industry practice, the Company uses proportionate consolidation to account for its interest in revenues and expenses of these joint ventures on the consolidated statements of operations. The ownership percentages of equity method investments range from 20% to 65%.

1. Organization and Summary of Significant Accounting Principles (continued)

Summary information based on the December 31, 2020 and 2019 financial statements of the unconsolidated joint ventures is as follows:

	2020	2019
Total assets	**$ 957,205,703**	$ 916,778,613
Total liabilities	**789,570,103**	792,706,448
Net assets	**167,635,600**	124,072,165
Less equity of other participants	**(82,588,909)**	(64,514,356)
Company's equity in net assets	**$ 85,046,691**	$ 59,557,809
Company's share of operations:		
Revenues	**$ 635,282,695**	$ 682,084,415
Costs and expenses	**(603,061,628)**	(642,981,868)
Company's equity in earnings	**32,221,067**	39,102,547
Contributions	**178,000**	–
Distributions	**(6,910,185)**	(2,045,079)
Net increase in Company's equity in net assets	**$ 25,488,882**	$ 37,057,468

Marketable Securities

The Company holds marketable securities, included in other assets, related to its deferred compensation plans (Note 5), which are classified as available for sale and carried at fair value. The marketable securities comprise money market funds, index funds, trust funds, and capital growth funds. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market considering the highest and best use of an asset or nonperformance risk related to a liability, at the measurement date. Changes in the fair value of the marketable securities are recognized as unrealized gain or losses and are reported, net of tax, as a separate component of stockholder's equity until realized. The fair value of the marketable securities is based on quoted prices in active markets for identical assets that the Company has the ability to access. Accordingly, all the Company's marketable securities are considered to be Level 1 investments in the fair value hierarchy.

1. Organization and Summary of Significant Accounting Principles (continued)

As of December 31, 2020 and 2019, accumulated other comprehensive income, net of tax, of approximately $1,922,000 and $1,234,000, respectively, related to marketable securities is included as a component of stockholder's equity.

The cost basis of the marketable securities was approximately $15,705,000 and $14,770,000 as of December 31, 2020 and 2019, respectively.

Employee Share Plan

The Company's employee stock ownership plan (SEOP) allows employees to purchase shares of Skanska AB. Employees are also eligible to receive matching and performance-based shares if certain conditions are met. The Company has determined that the awards are liability-based awards and, accordingly, the Company remeasures the cost of the matching and performance-based awards based on the fair value of the Skanska AB stock at the end of each reporting period until settlement. The Company uses the straight-line attribution method to recognize share-based compensation costs over the requisite service period of the award (Note 5).

Income Taxes

The Company is included in the consolidated federal and certain consolidated state income tax returns of Skanska. The provision for income taxes has been calculated as if the Company had prepared a separate federal income tax return and separate state returns. The Company files separate tax returns for states in which the Company is not included in the consolidated return of Skanska and for local income tax purposes.

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events reported differently in the consolidated financial statements and tax returns. Under this method, deferred tax assets and liabilities are determined on the basis of the difference between the financial statement and tax bases of assets and liabilities at enacted tax rates in effect for the year in which the differences are expected to reverse (Note 6).

1. Organization and Summary of Significant Accounting Principles (continued)

The Company follows the authoritative guidance on accounting for uncertain tax positions related to recognition, measurement, and disclosure in an enterprise's financial statements. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. If there are interest and penalties on tax positions, the Company's policy is to classify these as interest expense.

Impairment of Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented on the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets. As of December 31, 2020 and 2019, the Company does not believe any of its long-lived assets are impaired.

Accounts Receivable, Net

The Company performs building construction services for companies in diversified industries. The Company generally performs credit evaluations of its customers' financial condition. In general, contract receivables, excluding retainage, are due within 30 days and the Company typically does not require collateral. Credit losses have historically been insignificant and within management's expectations. The Company establishes allowances for doubtful accounts when losses are deemed probable. As of December 31, 2020 and 2019, these amounts were insignificant.

1. Organization and Summary of Significant Accounting Principles (continued)

Fair Value of Financial Instruments

The carrying amounts of the Company's principal financial instruments, consisting of cash and cash equivalents, accounts receivable, and other current assets, accounts payable, notes payable, and accrued expenses and other current liabilities, approximate fair value due to the short-term nature of these instruments.

Foreign Currency Translation

For subsidiaries of the Company located outside the United States whose functional currency is not the U.S. dollar, results of operations are generally translated at average exchange rates during the period, and assets and liabilities are translated at end-of-period exchange rates. Certain transactions are translated at the spot rate on the date of the transaction. Adjustments arising from the translation of assets and liabilities are included as a separate component of other comprehensive income on the consolidated statements of changes in equity. As of December 31, 2020 and 2019, accumulated other comprehensive income of approximately $6,000 and accumulated other comprehensive loss of approximately $15,000, respectively, related to foreign currency translation adjustments, is included as a component of equity.

In 2019, a transaction loss of approximately $1,355,000 related to exchange rate fluctuations realized at the settlement of a related-party balance between the Company and one of its subsidiaries, Skanska Canadian Construction Services Inc., was included in other expense on the consolidated statement of operations.

2. Contract Assets and Contract Liabilities

Costs and estimated earnings in excess of billings on uncompleted contracts are reported under contract assets. Billings in excess of costs and estimated earnings on uncompleted contracts and provisions for losses are reported under contract liabilities.

Costs and estimated earnings in excess of billings on uncompleted contracts primarily consist of revenues recognized on contracts for which billings have not been presented to the customers at the consolidated balance sheet date.

The following is a summary of contract liabilities at December 31:

	2020	**2019**
Billings in excess of costs and estimated earnings on uncompleted contracts	**$ 111,792,263**	$ 134,988,436
Provisions for losses	**82,860**	3,682,947
	$ 111,875,123	$ 138,671,383

Provisions for losses are recognized on the consolidated statements of operations at the uncompleted performance obligation level for the amount of total estimated losses in the period in which evidence indicates that the estimated total cost of a performance obligation exceeds its estimated total revenue.

The retainage amount included in accounts receivable, net, at December 31, 2020 and 2019, is approximately $240,471,000 and $259,453,000, respectively.

The subcontractor retainage amount included in accounts payable at December 31, 2020 and 2019, is approximately $230,678,000 and $247,399,000, respectively.

3. Fixed Assets, Net

The following summarizes fixed assets, net, at December 31, 2020 and 2019:

	2020	2019
Leasehold improvements	**$ 23,075,943**	$ 21,426,517
Construction equipment and motor vehicles	**13,920,003**	13,389,288
Office furniture and equipment	**11,923,206**	11,769,539
Computer software	**5,437,010**	6,589,872
Computer equipment	**1,879,523**	2,230,429
Real estate	**517,860**	517,860
	56,753,545	55,923,505
Less accumulated depreciation and amortization	**(38,938,488)**	(38,121,809)
	$ 17,815,057	$ 17,801,696

4. Leases

On January 1, 2019, the Company adopted ASC 842, *Leases.* This standard is intended to provide enhanced transparency and comparability by requiring lessees to record right of use assets and corresponding lease liabilities on the balance sheet for most leases. Expenses associated with leases continue to be recognized in a manner similar to previous accounting guidance. As part of its adoption, the Company used the package of practical expedients permitted under the new standard, which allowed it to not reassess (a) whether an existing contract is or contains a lease, (b) the classification for existing leases, and (c) initial direct costs. The company also used the transition practical expedient which eliminates the requirement that the new lease standard be applied to comparative periods presented in the year of adoption. The adoption of this standard resulted in the recognition of operating lease right of use assets and associated lease liabilities of approximately $46,687,000 and $50,617,000, respectively, as of January 1, 2019.

The Company leases primarily office space and construction equipment under operating leases. A lease exists when a contract or part of a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In determining whether a lease exists, the Company considers whether a contract provides it with both the right to obtain substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the identified asset. Leases with an initial term of one year or less (short-term lease) are not recorded on the consolidated balance sheet.

4. Leases (continued)

Many of the Company's leases include base rental periods coupled with options to renew or terminate the lease, generally at the Company's sole discretion. As part of evaluating the lease term, the Company considers whether it is reasonably certain to exercise such options. When it is reasonably certain that an option will be exercised, that option is included as part of the lease term.

The Company's leases do not contain any material residual value guarantees or material restrictive covenants. Variable payments are typically based on usage of an underlying asset within a lease contract. They are generally excluded from the measurement of the right of use asset and lease liability and expensed as incurred. The Company has determined that, while certain leases can include a combination of fixed and variable payments, for 2020 variable payments were not material.

The following is a summary of the Company's lease expense at December 31, 2020 and 2019.

	2020	**2019**
Operating lease expense	**$ 15,879,865**	$ 16,268,733
Short-term lease expense	**23,376,397**	18,236,405
	$ 39,256,262	$ 34,505,138

The measurement of right of use assets and lease liabilities requires the Company to estimate appropriate discount rates. At lease commencement, the Company uses its incremental borrowing rates determined by its ultimate parent, Skanska AB, as an implicit rate is not readily determinable for the majority of its leases.

As of December 31, 2020 and 2019, the Company's weighted average remaining lease term was 5.4 years and 5.3 years, respectively and the weighted average discount rate was 4.09% and 4.35%, respectively.

4. Leases (continued)

The following reconciles the Company's future minimum lease payments on an undiscounted cash flow basis to the lease liabilities reported on the consolidated balance sheet at December 31, 2020:

January 1, 2021 to December 31, 2021	$ 13,403,195
January 1, 2022 to December 31, 2022	10,958,853
January 1, 2023 to December 31, 2023	9,256,325
January 1, 2024 to December 31, 2024	6,868,076
January 1, 2025 to December 31, 2025	5,029,511
Thereafter	9,836,917
Total minimum lease payments	55,352,877
Less imputed interest	(5,967,288)
Present value of future minimum lease payments	$ 49,385,589

5. Employee Benefit Plans

401(k) Plans

The Company has defined contribution retirement plans (the 401(k) plans) covering all non-union employees. Contributions to the 401(k) plans are funded currently based on the employees' contributions and are subject to certain limitations as set by the Internal Revenue Code. The Company's contributions to the 401(k) plans amounted to approximately $7,984,000 and $7,870,000 for the years ended December 31, 2020 and 2019, respectively.

Multiemployer Pension Plans

In connection with collective bargaining agreements for its construction employees, the Company contributes to a number of multiemployer defined benefit pension plans. A unique characteristic of a multiemployer plan is that assets contributed by one employer may be used to provide benefits to employees of other participating employers. If a participating employer fails to make its required contributions, the unfunded obligations of the plan may be borne by the remaining participating employers. Similarly, in some cases, if an employer chooses to stop participating in a multiemployer plan, the withdrawing company may be required to pay to the plan a final payment (the withdrawal liability).

5. Employee Benefit Plans (continued)

The following table presents the Company's participation in multiemployer pension plans:

Pension Trust Fund	Pension Plan Employer Identification Number/Plan Number	Pension Protection Act Certified Zone Status[1] 2020	2019	FIP/RP Status Pending/ Implemented[2]	Pension Contribution 2020	2019	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement[3]
Northwest Ironworkers Retirement Trust	91-6123688/001	**Yellow**	Yellow	Implemented	**$ 1,792,016**	$ 1,666,565	No	30-06-2020
Carpenters Retirement Plan of Western Washington	91-6029051/001	**Green**	Green	No	**1,490,860**	1,426,335	No	31-05-2022
Oregon-Washington Carpenters Employers Pension Trust Fund	51-6077555/001	**Green**	Green	No	**2,162,589**	1,973,203	No	31-05-2024
Massachusetts Laborers Pension Fund	04-6128298/001	**Green**	Green	No	**1,136,593**	1,501,856	No	31-05-2024
All other funds (21 in 2020 and 28 in 2019)					**4,742,845**	5,810,374		
Total contributions					**$ 11,324,903**	$ 12,378,333		

[1] The most recent Pension Protection Act certified zone status available in both 2020 and 2019 for the Northwest Ironworkers Retirement Trust is for the plan's year-end at June 30, 2019. The most recent Pension Protection Act certified zone status available in 2020 and 2019 for the Carpenters Retirement Plan of Western Washington is for the plan's year-end at December 31, 2020 and, 2019, respectively. The most recent Pension Protection Act certified zone status available in 2020 and 2019 for the Oregon Washington Carpenters Employers Pension Trust Fund is for the plan's year-end at June 30, 2019 and 2018, respectively. The most recent Pension Protection Act certified zone status available in 2020 and 2019 for the Massachusetts Laborers Pension Fund is for the plan's year-end at December 31, 2019 and 2018, respectively.

[2] The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

[3] Negotiations for the Northwest Ironworkers Retirement Trust were postponed until 2021 due to Covid-19.

Approximately 41% and 44% of the Company's employees were covered by collective bargaining agreements as of December 31, 2020 and 2019, respectively.

The Company does not intend to withdraw from any of the multiemployer pension plans in which it participates.

5. Employee Benefit Plans (continued)

Deferred Compensation Plans

In November 2006, the Company commenced a nonqualified deferred compensation plan, which allows certain employees to defer a portion of their base salaries and bonuses up to specified maximums. The Company also had a long-term incentive plan component for certain employees, which was terminated on December 31, 2007. Awards granted pursuant to the long-term incentive plan vested after three years. The amounts accrued for these plans totaled approximately $18,344,000 and $16,460,000 as of December 31, 2020 and 2019, respectively, and are included in other long-term liabilities on the accompanying consolidated balance sheets.

SEOP

Skanska AB maintains the SEOP whereby participating company employees can opt to have a portion of their salary and bonuses withheld by the Company and invested in Skanska AB's common stock subject to certain participant gross basic salary limitations. The program ended in 2019. In 2020, Skanska AB's board of directors established a fifth SEOP (SEOP 5) program that terminates in 2022. Under the plan, Skanska AB matches one share for every four employee shares acquired at the end of each quarter, with the matching shares credited to the participant's account at the end of the three-year vesting period subject to various limitations. In addition, Skanska AB grants performance-based shares annually to employees if their respective business units meet certain graded earnings targets. The size of the outperformance pool per business unit is determined by the board of directors of Skanska AB, subject to a maximum amount, and then allocated to participants based on employee shares purchased during the year. The matching shares and the performance-based shares vest three years from the grant date.

The Company adjusts share-based compensation on an annual basis for changes in the estimate of expected forfeitures based on actual forfeiture experience. The effect of adjusting the forfeiture rate is recognized in the period the forfeiture estimate is changed. The effect of forfeiture adjustments in 2020 and 2019 was insignificant.

The Company recorded compensation expense of approximately $5,722,000 and $5,237,000 for the years ended December 31, 2020 and 2019, respectively, relating to vested shares awarded to employees. As of December 31, 2020 and 2019, the total remaining unrecognized compensation cost related to employee shares granted but not vested under the Company's SEOP plan was approximately $14,792,000 and $10,797,000, respectively, which is expected to be recognized over the vesting period.

6. Income Taxes

For the years ended December 31, 2020 and 2019, income before income tax expense is comprised of the following:

	2020	2019
U.S. operations	**$ 36,646,543**	$ 33,393,367
Foreign operations	**(18,425)**	71,771
Income before income tax expense	**$ 36,628,118**	$ 33,465,138

The income tax provision for the year ended December 31, 2020 is comprised of the following:

	Current	Deferred	Total
Year ended December 31, 2020:			
U.S. federal	**$ 6,994,918**	**$ (2,209,025)**	**$ 4,785,893**
State and local	**3,965,587**	**(1,065,232)**	**2,900,355**
Foreign jurisdiction	**(2,303)**	**–**	**(2,303)**
	$ 10,958,202	**$ (3,274,257)**	**$ 7,683,945**

The income tax provision for the year ended December 31, 2019 is comprised of the following:

	Current	Deferred	Total
Year ended December 31, 2019:			
U.S. federal	$ 2,372,654	$ 633,927	$ 3,006,581
State and local	3,517,015	(67,109)	3,449,906
Foreign jurisdiction	(131,069)	–	(131,069)
	$ 5,758,600	$ 566,818	$ 6,325,418

6. Income Taxes (continued)

The difference between the federal statutory rate of 21% and the effective tax rate are as follows:

	2020	2019
Provision for income taxes, at federal income tax rate	**$ 7,695,774**	$ 7,012,607
Provision for income taxes, foreign operations	**(2,303)**	(131,069)
Increase (decrease) in income taxes resulting from:		
State and local income taxes, net of federal benefit	**1,576,693**	1,227,584
Other	**(1,586,219)**	(1,783,704)
Actual provision for income taxes	**$ 7,683,945**	$ 6,325,418

Deferred tax assets have been classified on the accompanying consolidated balance sheets as of December 31, 2020 and 2019 as follows:

	2020	2019
Deferred tax assets:		
Deferred compensation	**$ 8,591,298**	$ 7,636,278
Insurance reserves	**17,237,715**	17,212,448
Contract write-downs	**1,708,640**	5,518,685
Reserves and other	**21,475,693**	19,854,484
Foreign net operating loss carryforwards	**2,479**	–
Deferred tax assets	**49,015,825**	50,221,895
Deferred tax liabilities:		
Depreciation	**(964,521)**	(1,070,770)
Deferred income and other	**(25,456,241)**	(29,572,398)
Deferred tax liabilities	**(26,420,762)**	(30,643,168)
Net deferred tax assets	**$ 22,595,063**	$ 19,578,727

6. Income Taxes (continued)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax 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 those temporary differences become deductible. Management considers the scheduled reversal of deferred tax assets, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the temporary differences making up the deferred tax assets reverse, management believes that it is more likely than not that the Company will realize the deferred tax asset amounts, net of the valuation allowance. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced due to market conditions at that time.

The Company assessed its tax positions for all open tax years as of December 31, 2020 for the major tax jurisdictions, including federal and certain significant states, for the years 2014 through 2019. The Company has no unrecognized tax benefits reflected as of December 31, 2020.

7. Commitments and Contingencies

Legal

In connection with the performance under its contracts, the Company is involved in litigation and disputes, which are normal in the construction industry. Management, after consulting with legal counsel, is of the opinion that the ultimate liability, if any, resulting from litigation will not have a material adverse effect on the Company’s consolidated financial condition or results of operations.

7. Commitments and Contingencies (continued)

Self-Insurance

The Company is self-insured for a portion of its subcontractor default claims, workers' compensation claims, general liability claims, and the general liability portion of automobile claims through its participation in insurance programs of Skanska with Skanska's insurance carriers. The Company is liable up to a maximum amount per claim and in the aggregate per year. Liabilities in excess of the amounts are the responsibility of the insurance carrier. Self-insurance costs are generally accrued on the basis of the annual fixed costs paid to the carrier for coverage and an estimated liability for the aggregate of reported claims and claims incurred but not reported. Estimates for unpaid claims and expenses are based on known facts, historical trends, and industry averages, utilizing the assistance of an actuary. It is possible that the actual claims ultimately paid by the Company related to a particular year may exceed the liability recorded by the Company for that year and such difference could be material. As of December 31, 2020 and 2019, the amount accrued for self-insurance costs was approximately $118,816,000 and $132,581,000, respectively, and is included in accrued expenses and other current liabilities on the accompanying consolidated balance sheets.

If any of Skanska's insurance carriers were to default on its obligations to provide insurance coverage by reason of its insolvency or for other reasons, the Company's exposure to claims would increase and its profits would be adversely affected.

As of December 31, 2020 and 2019, the Company reported its insurance liabilities on a gross basis, resulting in the presentation of anticipated insurance recoveries of approximately $45,641,000 and $60,531,000, respectively. Such amounts are included in prepaid expenses and other current assets and accrued expenses and other current liabilities on the accompanying consolidated balance sheets.

Letters of Credit

The Company participates with Skanska AB in an arrangement, whereby certain commercial banks issue standby letters of credit for the Company's benefit. The Company has standby letters of credit outstanding totaling approximately $130,150,000 and $197,146,000 as of December 31, 2020 and 2019, respectively.

8. Related-Party Transactions

Construction Activities

The Company participates in joint ventures in which Skanska USA Civil Inc. (Civil), an affiliate, is a participant and for which the Company is not the primary beneficiary or does not otherwise control the joint venture. Included in construction revenues earned on the consolidated statements of operations is approximately $539,074,000 and $687,674,000 for the years ended December 31, 2020 and 2019, respectively, for these joint ventures. Included in direct cost of revenues earned on the consolidated statements of operations is approximately $513,202,000 and $656,129,000 for the years ended December 31, 2020 and 2019, respectively, for these joint ventures.

Included in investments in construction joint ventures on the consolidated balance sheets is approximately $81,307,000 and $56,831,000 at December 31, 2020 and 2019, respectively, related to the above joint ventures with Civil.

The Company has entered into arrangements with affiliates in which the parties participate in the performance of specific construction contracts and the resulting contract profit is shared between the affiliates of the Company at a predetermined ratio to reflect the relative contribution made by each affiliate. At December 31, 2020 and 2019, approximately $8,079,000 and $6,619,000, respectively, is included in accounts receivable on the accompanying consolidated balance sheets related to these arrangements.

Included in direct cost of revenues earned on the consolidated statements of operations is approximately $5,477,000 and $8,231,000 for the years ended December 31, 2020 and 2019, respectively, for projects where subsidiaries of Civil were subcontractors of the Company. Included in accounts payable on the consolidated balance sheets is approximately $790,000 and $5,548,000 at December 31, 2020 and 2019, respectively, due to these subsidiaries of Civil for these projects.

Included in construction revenues earned on the consolidated statements of operations is approximately $277,000 and $320,000 for the years ended December 31, 2020 and 2019, respectively, for construction management services provided to affiliates of the Company. Included in direct cost of revenues earned on the consolidated statements of operations is approximately $365,000 and $298,000 for the years ended December 31, 2020 and 2019, respectively, for costs incurred in connection with the projects with the affiliates.

8. Related-Party Transactions (continued)

Included in construction revenues earned on the consolidated statements of operations is approximately $49,060,000 and $174,928,000 for the years ended December 31, 2020 and 2019, respectively, related to construction management services provided to Skanska USA Commercial Development Inc. (CDUS), an affiliate. Included in direct cost of revenues earned on the consolidated statements of operations is approximately $37,972,000 and $174,058,000 for the years ended December 31, 2020 and 2019, respectively, related to the construction management services provided to CDUS. Included in accounts receivable on the consolidated balance sheets as of December 31, 2020 and 2019 is approximately $1,835,000 and $14,759,000, respectively, due from CDUS in connection with the construction management services.

Skanska International Civil Engineering AB advanced sums to Skanska Canadian Construction Services Inc. (SCCS) before its acquisition by the Company in 2010. In 2019, approximately $18,820,000 (CAD $24,975,000) of this advance was forgiven and the remaining balance was paid back to Skanska International Civil Engineering AB. During 2019, the Company formally liquidated SCCS.

In 2017, the Company entered into an agreement for temporary loans (Agreement) with a joint venture, in which it is the managing party. The Agreement allowed the members of the joint venture to borrow from the excess cash holdings of the joint venture until the termination of the Agreement in June 2022, unless otherwise agreed upon by all parties. Each loan transaction had a term of no more than 180 days and is secured by an irrevocable standby letter of credit. Each loan transaction bore interest at a rate based on an average of two or three commercial papers rated A-1 or P-1, issued by financial institutions, and traded on the U.S. market on the day of or before each transaction date. The weighted average interest rate on loans outstanding as of December 31, 2019 was 1.62%. Interest for each transaction was payable on the maturity date for the given transaction. Outstanding loans from the joint venture at 2019, of approximately $24,983,000, are included in notes payable on the accompanying consolidated balance sheets. At December 31, 2020 there were no outstanding loans associated with this Agreement.

8. Related-Party Transactions (continued)

Shared Services, Expense Allocations, and Taxes

Effective January 1, 2010, the Parent established a shared service center related to human resources, information technology, and communications and such costs are incurred centrally and then allocated to all subsidiaries, including the Company, based on a predetermined methodology. For the years ended December 31, 2020 and 2019, the amount allocated to the Company was approximately $32,246,000 and $34,449,000, respectively, which is included in selling, general, and administrative expenses on the consolidated statements of operations. In addition, the Parent provided executive and administrative services for the Company. For the years ended December 31, 2020 and 2019, the Company was charged approximately $3,337,000 and $3,633,000, respectively, related to such services, which is included in other expense on the consolidated statements of operations.

The Company provided certain staff support and office space to various affiliated organizations. The total amount billed to the affiliates for such services for the years ended December 31, 2020 and 2019 was approximately $5,649,000 and $6,074,000, respectively, which is recorded as a reduction to selling, general, and administrative expenses on the consolidated statements of operations.

The Company was charged a royalty fee of $35,200,000 and $39,800,000 by the Parent in 2020 and 2019, respectively, which is included in royalty expense on the consolidated statements of operations.

The Company is included in the consolidated federal income tax return of Skanska. The provision for income taxes has been calculated as if the Company had prepared a separate federal income tax return. Included in income tax payable on the consolidated balance sheets as of December 31, 2020 and 2019 is approximately $813,000 and $3,880,000, respectively, related to federal taxes payable as a result of the Company's inclusion in Skanska's consolidated federal income tax returns.

Included in due to affiliated organizations on the consolidated balance sheets as of December 31, 2020 and 2019 is approximately $2,729,000 and $3,503,000, respectively, due to the Parent related to allocated shared services costs.

9. Subsequent Events

Subsequent to December 31, 2020, and through February 18, 2021, the date through which management evaluated subsequent events and on which the consolidated financial statements were available for issuance, there were no material subsequent events that were required to be recorded or disclosed in these consolidated financial statements.

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