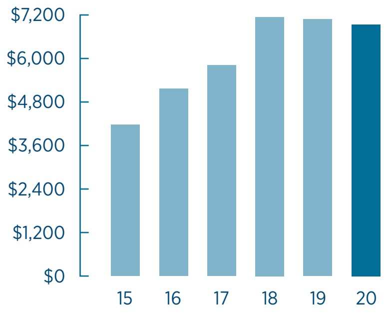
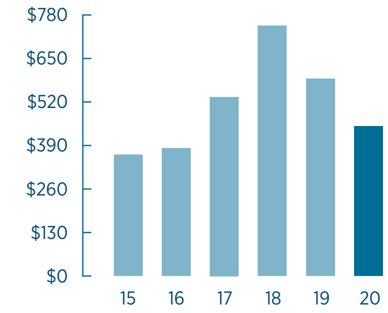
2020 ANNUAL REPORT

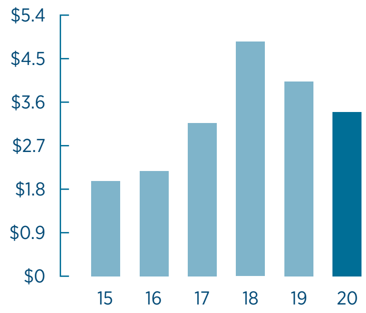
FINANCIAL SUMMARY



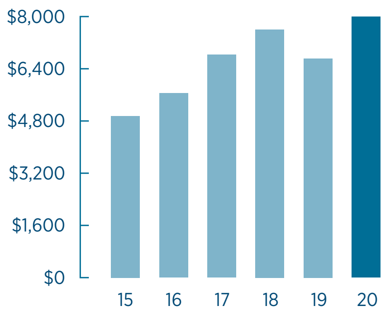
REVENUES
For Home Sales in FY ($ in millions)



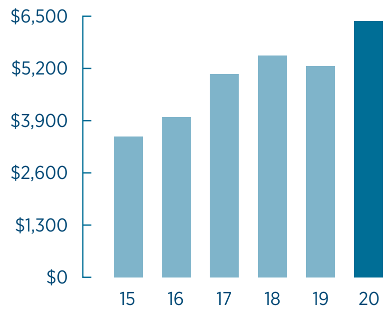
NET INCOME
In FY ($ in millions)



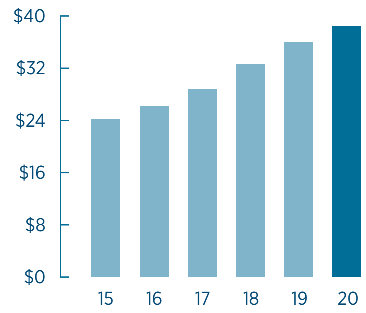
EARNINGS PER SHARE
In FY ($)



CONTRACTS
In FY ($ in millions)



BACKLOG
At FYE ($ in millions)



BOOK VALUE PER SHARE
At FYE ($)

The Rosebriar | Shirley Estates | Alpharetta, GA


The Olgiata | Toll Brothers at Rolling Hills Country Club | Rolling Hills Estates, CA

CORPORATE OVERVIEW

LUXURY HOMES AND COMMUNITIES

Founded in 1967

National presence in the luxury market: operations in over 50 markets in 24 states and Washington, DC

Selling from 317 communities

Average delivered home price of $816,500; average price in backlog of $818,200

High-volume home production of highly personalized homes

DIVERSE PRODUCT LINES

Luxury move-up homes

Millennial-focused affordable luxury homes

Elegant empty-nester, active-adult, and second homes

Urban low-, mid-, and high-rise condominiums

Multi-generational homes

Multi-product master planned communities

Suburban high-density communities

Resort-style golf and country club living

Urban and suburban rental communities

INDUSTRY-LEADING REPUTATION AND BRAND

America's Luxury Home Builder

NYSE-listed (TOL) since 1986

Fortune 500 company

4th largest United States home builder by revenues

Toll Brothers Active Adult: luxury homes for active adults including 55+ buyers

Toll Brothers City Living®: luxury mid- and high-rise urban for-sale communities

Toll Brothers Apartment Living and Toll Brothers Campus Living®: luxury for-rent urban, suburban, and student housing communities

AWARDS

National Builder of the Year, *Builder* magazine

Two-time Builder of the Year, *Professional Builder* magazine

Six-time FORTUNE Magazine World's Most Admired Home Building Company*

Induction of founders Robert and Bruce Toll into the *Builder* Hall of Fame

SOPHISTICATED LAND AND BUILDING PROGRAM

Delivered over 117,000 homes ($82 billion) since 2000

Control 63,182 home sites

Land planning, acquisition, approval, development, and sales expertise

Build-to-order model offering home buyers choice of structural and design options

35 Design Studio locations nationwide

In Q4 2020, average of $183,000 in upgrades and home site premiums, 26% above base home price

ANCILLARY BUSINESSES

TBI Mortgage and Westminster Title, serving 45% and 75% of Toll Brothers customers, respectively, in FY 2020

Integrated home automation and home security via TBI Smart Home Solutions

Land banking, lending, and joint venture financing services via Gibraltar Real Estate Capital

Toll Brothers Insurance Agency and Toll Landscape

FINANCIAL AND MANAGEMENT STRENGTH

Strong corporate credit ratings: Standard & Poor's (BB+), Moody's (Ba1), and Fitch (BBB-)

Liquidity of $3.2 billion: $1.4 billion in cash and $1.8 billion available under our $1.905 billion, 23-bank, 5-year revolving credit facility

$800 million, 12-bank, 5-year term loan

Over $15.8 billion in corporate and joint venture financing transactions completed in the last 5 years

Debt-to-capital ratio of 44.8%; net debt-to-capital ratio† of 33.3%

Laddered long-term public and bank debt maturities with a weighted average of 5.1 years remaining

Focus on driving return on equity through more capital-efficient land buying and other strategies

Seasoned executive management team: average 16-year tenure

Information for and as of FYE October 31, 2020, unless otherwise noted.

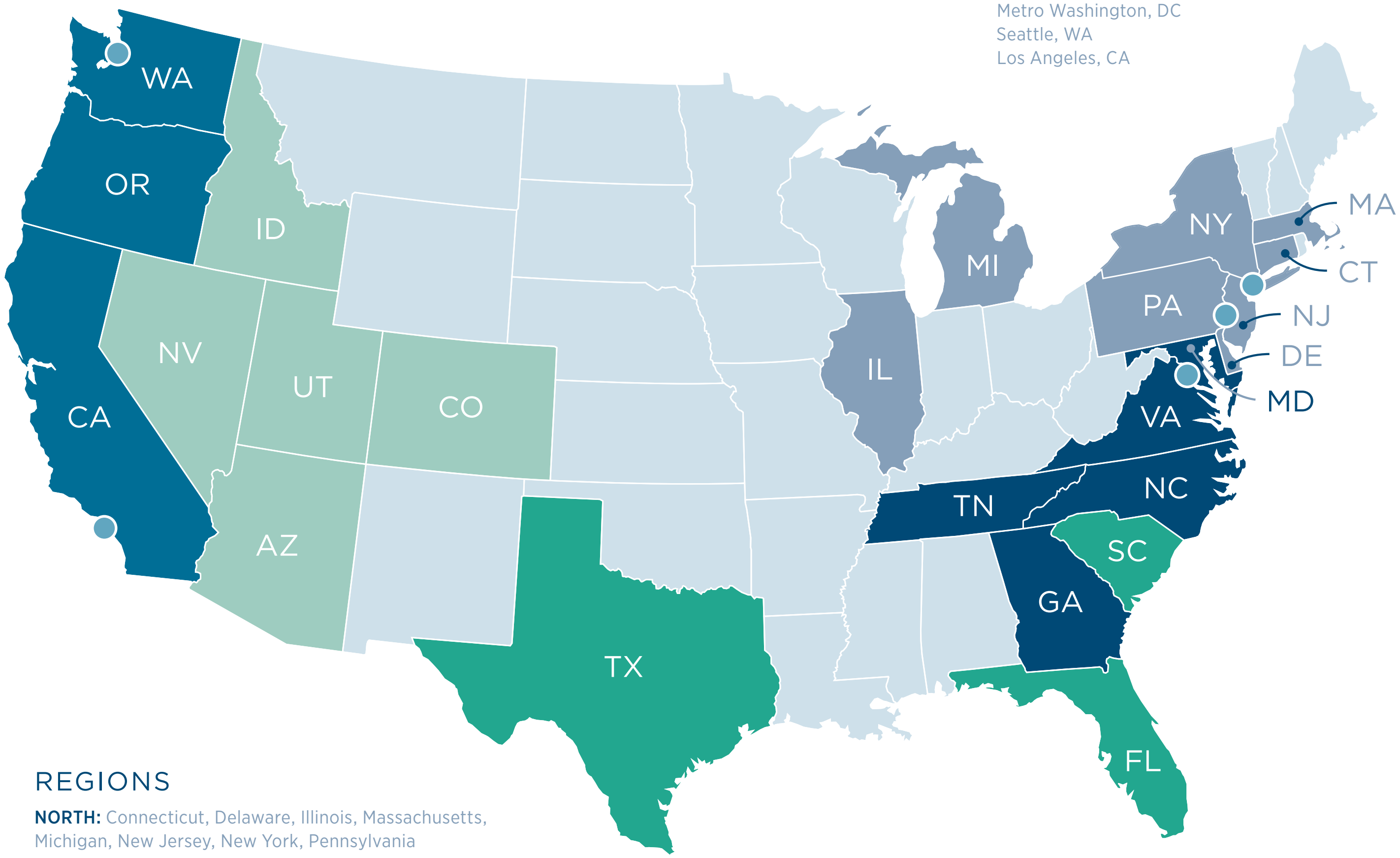
*See footnote on page 84.

†See "Reconciliation of Non-GAAP Measures" on page 82 for more information on the calculation of the company's net debt-to-capital ratio.

GEOGRAPHIC DIVERSIFICATION

CITY LIVING

Manhattan and Brooklyn, NYC
Hoboken and Jersey City, NJ
Philadelphia, PA
Metro Washington, DC
Seattle, WA
Los Angeles, CA



REGIONS

NORTH: Connecticut, Delaware, Illinois, Massachusetts, Michigan, New Jersey, New York, Pennsylvania

MID-ATLANTIC: Georgia, Maryland, North Carolina, Tennessee, Virginia

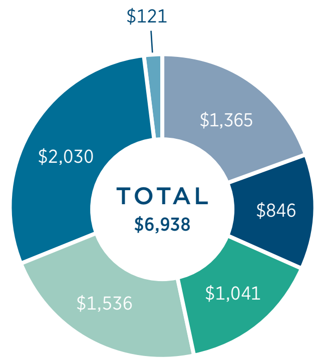
SOUTH: Florida, South Carolina, Texas

MOUNTAIN: Arizona, Colorado, Idaho, Nevada, Utah

PACIFIC: California, Oregon, Washington

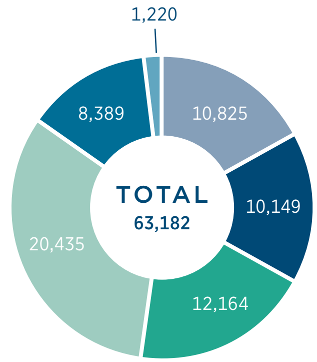
HOME SALES REVENUES

By segment in FY 2020 ($ in millions)



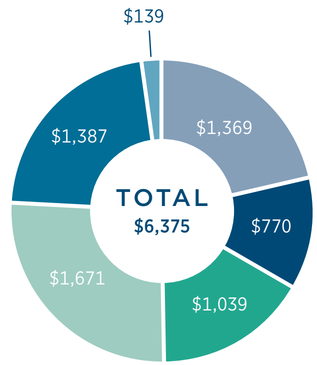
HOME SITES CONTROLLED

By segment at FYE 2020



BACKLOG

By segment at FYE 2020 ($ in millions)




The Kington | Seaside at Scituate | Scituate, MA


The Porter | Toll Brothers at Edelweiss | Draper, UT


The Mayne | Sereno Canyon | Scottsdale, AZ

The Warhol | Arden | Great Falls, VA

DECEMBER 22, 2020

DEAR SHAREHOLDER

It is an understatement to say that FY 2020 has been a demanding year. Still, our team responded to its many challenges and delivered on all fronts. Despite experiencing disruptions to our home building operations beginning in March as the Covid-19 pandemic hit the United States, in FY 2020 Toll Brothers delivered 8,496 homes to our customers, generated home sales revenues of $6.94 billion and net income of $446.6 million, or $3.40 per share diluted, and produced record net signed contracts of $8.00 billion (9,932 homes), the highest value in our history. These accomplishments are a testament to the dedication of our employees and their commitment to our customers.

Our industry, like much of our economy, experienced an unprecedented shock in the spring of 2020. Yet as Americans discovered a renewed appreciation for their homes, the housing market came roaring back, driven by historically low interest rates, positive long-term demographic trends, and a significant undersupply of homes. The result: we are currently experiencing what we believe is one of the strongest housing markets in our history.

In our FY 2020 fourth quarter, net signed contracts of 3,407 homes and $2.74 billion were the highest totals for any quarter in our history, up 68% in homes and 63% in dollars compared to the same quarter of FY 2019. With our record fiscal year-end backlog of $6.37 billion (7,791 homes) and continued strong demand, we expect to deliver the most homes in our history in FY 2021.

We also expect our gross margin to improve sequentially over the course of FY 2021, as this strong demand, coupled with steady price increases since May, is reflected in the homes we will deliver in the last three quarters of this fiscal year. We ended FY 2020 with 317 selling communities and 63,200 lots owned or controlled, and we project to grow our community count by approximately 10% by FYE 2021. With our attractive land holdings and presence in over 50 markets, we believe we are well-positioned for growth beyond FY 2021.

ADAPTING THROUGHOUT THE YEAR

FY 2020 began strongly for us, as contracts for the first 18 weeks—through mid-March of 2020—rose over 30% compared to the prior year's period. Then on March 13, in response to the Covid-19 pandemic, a national health emergency was declared. The impact of the pandemic immediately reverberated across the industry. Demand came to a near standstill as customers paused, and our signed contracts declined 64% from mid-March through April 30 versus the prior year.

During this time, our teams quickly adapted to a new operating environment of working remotely, communicating virtually with our customers, and incorporating new health and safety practices into all aspects of our business. Our priority was to keep employees, trade partners, and customers safe while continuing to sell, build, and deliver homes.

Taking advantage of technologies already in our playbook, we created a seamless, virtual process from initial contact through closing to maintain the high-quality home buying experience that defines our trusted brand. We showed that model home tours, Design Studio selections, construction inspections, and many other aspects of our business could all occur virtually. Many of the innovations we implemented during this time will have a lasting positive impact on the efficiency with which we run our company.

In May, the housing market began to rebound—and then it surged. We ended July with our third-quarter net signed contracts up 26% in homes and 18% in dollars compared to the prior year. In our fourth quarter, net signed contracts rose 68% in homes and 63% in dollars, compared to one year before, to reach the highest totals for any quarter in our history.

STRATEGICALLY POSITIONED FOR GROWTH

In recent years, we have focused on broadening our product lines and price points, as well as expanding our geographic presence in higher growth markets. We now operate in 24 states and Washington, DC. We believe this strategy has positioned us to take advantage of the resurgent housing market. With our move-up, active-adult, and affordable luxury new home communities as well as rental and urban condominium projects, we have a wide variety of product lines to serve the upscale market. We are seeing strength in every geographic region: Pacific, Mountain, South, Mid-Atlantic, and North.

The Hillcrest | Bartram Ranch | St. Johns, FL

Over the past two years, we have expanded into nine new markets in the South and West: Atlanta, Colorado Springs, Nashville, Portland, Salt Lake City, Tampa, and three South Carolina markets—Charleston, Greenville, and Myrtle Beach. As we have entered new markets, we have continued to increase our affordable luxury product line across our footprint to better capitalize on the growing number of millennials now purchasing homes—many for the first time. Affordable luxury totaled 2,989 homes, or 38.4% of our FYE 2020 backlog, compared to 1,756 homes, or 28.8% of backlog just two years ago at FYE 2018.

Our Toll Brothers Apartment Living division also had an active year. Since the start of FY 2020, we have capitalized with debt and equity approximately $1.1 billion of new joint ventures to develop more than 3,000 rental apartments. These to-be-built urban and suburban communities are located across the United States in metro areas such as Boston, New York City, Washington, DC, Atlanta, Dallas, Phoenix, and Los Angeles. Projects range in size from $50 million to $250 million, with Toll Brothers typically investing 10% to 20% of the capital in each project as the general partner.

The Austin | Edgeworth at Caramella Ranch | Reno, NV

The Park | Edge-on-Hudson | Sleepy Hollow, NY

A STRONG BALANCE SHEET AND A FOCUS ON CAPITAL EFFICIENCY

As we grow, we are focused on improving our capital efficiency. In FY 2021, we project an increase of approximately 350 basis points in our return on beginning equity. As we seek to drive improvement in our financial metrics, we continue to strictly apply more rigorous underwriting thresholds to new land deals to achieve both a higher gross margin and a higher return on equity. To support this initiative, we are controlling more land through options, land banking arrangements, joint ventures, and other strategies. We improved our optioned-to-owned land ratio at FYE 2020 to 43% optioned compared to 38% at FYE 2019.

Our financial strength continues to be an engine for growth. We ended our fourth quarter with a solid balance sheet and $3.16 billion of liquidity, including $1.37 billion of cash and $1.79 billion available under our $1.9 billion revolving bank credit facility, which matures in November 2025. At FYE 2020, our net debt-to-capital ratio† was 33.3% compared to 32.9% one year ago. This relatively flat net debt-to-capital ratio† was achieved even while we repurchased approximately $634 million of stock in FY 2020. We generated a record $1.0 billion in cash flow from operations in FY 2020 and ended the year with a book value per share of $38.53. With our strong balance sheet and focus on capital efficiency, we believe that we can continue to grow our business while improving return on equity in the coming years.

A HOUSING MARKET ON SOLID FOUNDATION

We believe that the housing market is on a solid foundation and that we have significant room to run. In addition to our diverse products and price points and our geographic expansion, the confluence of favorable market conditions and our build-to-order model will continue to play an important role in our growth in the coming year and beyond.

Historically low interest rates are driving the new home market at all price points, and we expect low rates to continue for some time. A very tight resale market is leading more people to consider new homes. At the end of 2020, there is just a 2.3-month supply of resale homes on the market—the lowest on record. Since most of our buyers have a home to sell, this tight market and escalating existing home prices give them the comfort to do so. A strong stock market and a solid employment picture for our customers add to their confidence. Based on the annual average rate of new home production over the past 50 years and the growth in United States households in that time, we estimate that the industry has underproduced nearly six million single-family homes since the start of the housing recovery in 2008. In other words, six million fewer people bought a home in the last decade than would have in prior decades. Even now, new home building production is just reaching historic norms.

The work-from-home phenomenon is also driving demand by allowing more home buyers to live where they want rather than where their jobs previously required. With our build-to-order model, Toll Brothers is particularly well-suited for this moment as Americans place more importance on their homes. We provide our customers with structural, architectural, and interior design choices to truly build their dream homes. Our expansive, flexible floor plans give them more space for learning, working, entertaining, and multi-generational living. In the fourth quarter our buyers added, on average, 26% above the base home price, or $183,000, in options and home site premiums to their homes.

LOOKING FORWARD TO A BRIGHT TOMORROW

We continue to increase our focus on Environmental, Social, and Governance (ESG) issues as we consider our company's role in society at large. We have redoubled our efforts to increase diversity throughout our organization and appointed a Chief Diversity and Engagement Officer to lead this ongoing initiative. Additionally, our Board approved a new Human Rights Policy this spring, and we are preparing our first ESG Report for release in FY 2021.

As we look to the future, we are confident that our well-located land holdings, broad array of community offerings, nationwide footprint, luxury brand, and distinctive build-to-order model strategically position Toll Brothers for continued growth in FY 2021 and beyond. But the key to achieving these goals is our tremendous Toll Brothers team.

We greatly appreciate the support of our customers, our shareholders, our trade partners, and our capital providers during this uniquely challenging year. We especially want to thank the entire Toll Brothers family, whose resilience and commitment have been inspiring. This year required that we think and operate in new ways and adjust to dramatically changing conditions while maintaining an unwavering focus on providing our customers with the superb quality, value, and service they expect from Toll Brothers. Our team worked harder than ever before and went the extra mile to prove once again why our company is so special. We are proud of the results we produced together and excited for the even greater achievements that lie ahead.

DOUGLAS C. YEARLEY, JR.
Chairman of the Board, President,
& Chief Executive Officer

ROBERT I. TOLL
Chairman Emeritus

The Solana | The Isles at Lakewood Ranch | Lakewood Ranch, FL

The Sandstone | Mesa Ridge | Las Vegas, NV

The Rowling | Reserve at Center Square | Eagleville, PA


BAR

The Rio Verde | Toll Brothers at Verde River | Rio Verde, AZ

THE TOLL BROTHERS ADVANTAGE

DISTINCTIVE ARCHITECTURE

The refined modern farmhouse on an acre of land. The contemporary townhome located steps from every convenience. The stylish single-story home in a dynamic active-adult community. The sleek condominium high-rise in a bustling city. Through our attention to detail and quality craftsmanship, Toll Brothers brings form and function together in every home we build and offers an extensive selection of architectural designs to suit any lifestyle and life stage.

- Spaces available for indoor/outdoor living, home offices, virtual school workspaces, multi-generational living suites, fitness studios, and more
- Flexible open floor plans and unique architectural details
- A wide array of home design styles from modern and contemporary to traditional and craftsman
- High-quality building components produced in our Toll Integrated Systems manufacturing plants leading to increased efficiency and reduced waste

UNRIVALED CHOICE

Through a wide selection of structural options and home feature upgrades, Toll Brothers enables our home buyers to showcase and enhance their individual preferences. From highly personalized and hands-on Design Studio appointments guided by a professional design consultant to extraordinary architectural elements and thoughtful design, every detail gives home buyers another reason to love their Toll Brothers home.

- 35 Toll Brothers Design Studio locations nationwide featuring curated showrooms with beautifully designed vignettes to inspire home buyers as they make design selections
- Choice of professionally curated finishes in flooring, fixtures, lighting, cabinets, countertops, appliances, and more
- The latest home technologies in smart security, home automation, data and WiFi networks, home audio, video and entertainment, and climate control
- Community amenities such as resident clubhouses and lounges, fitness centers, community pools, walking trails, business centers, playgrounds, and parks


The Clubhouse | Regency at South Whitehall | Allentown, PA


The Burke Elite | The Ridge at Big Rock | Duvall, WA


91 Leonard | Toll Brothers City Living | New York, NY


The Vanguard | Oakbridge at Flower Mound | Flower Mound, TX


The Munari | Boulder Ranch | Scottsdale, AZ

PRESTIGIOUS LOCATIONS

Toll Brothers builds communities in the heart of where the discerning home buyer wants to live, with conveniences such as proximity to highly rated schools, efficient commuter routes, and nearby lifestyle destinations. Toll Brothers remains committed to building communities of luxury homes that deliver what buyers are looking for in the most highly desirable areas of the country.

- Primary and second-home residences in 24 states and over 50 markets across the United States
- Urban and suburban locations in destination markets
- Access to cultural institutions, prime shopping, entertainment, and recreation
- High-quality public and private schools

EXTRAORDINARY CUSTOMER EXPERIENCE

Each Toll Brothers associate strives to provide home buyers with an exceptional experience—from the first interaction with our sales consultants, to the design selection process in our Design Studios, to closing day and beyond. Through regular interactions, structured planning, and a personalized approach, we seek to exceed expectations at every turn.

- Unparalleled service at every visit, whether in person or virtual
- A seasoned team of local experts to guide buyers through the process of building a new home from the first visit to closing day
- Consistent communication from sales, construction, and every other Toll Brothers associate throughout the home buying journey
- A focus on providing our customers with exceptional quality, value, and service

The Serrania | Tradewinds at Pacifica San Juan | San Juan Capistrano, CA

FINANCIAL

TABLE OF CONTENTS

TOLL BROTHERS' 35-YEAR FINANCIAL SUMMARY 1986–2020

Summary Consolidated Statement of Operations Data *(amounts in thousands, except per share data)*

Year Ended October 31,	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues — home sales	$ 6,937,357	$ 7,080,379	$ 7,143,258	$ 5,815,058	$ 5,169,508	$ 4,171,248	$ 3,911,602	$ 2,674,299	$ 1,882,781
Pre-tax income (loss)	$ 586,901	$ 787,170	$ 933,916	$ 814,311	$ 589,027	$ 535,562	$ 504,582	$ 267,697	$ 112,942
Net income (loss)	$ 446,624	$ 590,007	$ 748,151	$ 535,495	$ 382,095	$ 363,167	$ 340,032	$ 170,606	$ 487,146
Earnings (loss) per share — Diluted	$ 3.40	$ 4.03	$ 4.85	$ 3.17	$ 2.18	$ 1.97	$ 1.84	$ 0.97	$ 2.86
Weighted-average number of shares — Diluted	131,247	146,501	154,201	169,487	175,973	184,703	185,875	177,963	170,154

Summary Consolidated Balance Sheet Data *(amounts in thousands, except per share data)*

At October 31,	2020	2019	2018	2017	2016	2015	2014	2013	2012
Cash and marketable securities	$ 1,370,944	$ 1,286,014	$ 1,182,195	$ 712,829	$ 633,715	$ 928,994	$ 598,341	$ 825,480	$ 1,217,892
Inventory	$ 7,658,906	$ 7,873,048	$ 7,598,219	$ 7,281,453	$ 7,353,967	$ 6,997,516	$ 6,490,321	$ 4,650,412	$ 3,732,703
Total assets	$ 11,065,733	$ 10,828,138	$ 10,244,590	$ 9,445,225	$ 9,736,789	$ 9,206,515	$ 8,398,457	$ 6,811,782	$ 6,165,915
Debt									
Loans payable	$ 1,147,955	$ 1,111,449	$ 686,801	$ 637,416	$ 871,079	$ 1,000,439	$ 652,619	$ 107,222	$ 99,817
Senior notes	2,661,718	2,659,898	2,861,375	2,462,463	2,694,372	2,689,801	2,638,241	2,305,765	2,065,334
Subordinated notes									
Mortgage related debt	148,611	150,000	150,000	120,145	210,000	100,000	90,281	75,000	72,664
Total	$ 3,958,284	$ 3,921,347	$ 3,698,176	$ 3,220,024	$ 3,775,451	$ 3,790,240	$ 3,381,141	$ 2,487,987	$ 2,237,815
Stockholders' Equity	$ 4,875,235	$ 5,071,816	$ 4,760,199	$ 4,531,194	$ 4,229,292	$ 4,222,557	$ 3,854,376	$ 3,332,987	$ 3,121,700
Number of shares outstanding	126,527	140,938	146,163	157,205	161,783	174,847	175,046	169,353	168,637
Book value per share	$ 38.53	$ 35.99	$ 32.57	$ 28.82	$ 26.14	$ 24.15	$ 22.02	$ 19.68	$ 18.51
Return on beginning Stockholders' Equity	8.8%	12.4%	16.5%	12.7%	9.0%	9.4%	10.2%	5.5%	18.8%

Home Data

Year Ended October 31,	2020	2019	2018	2017	2016	2015	2014	2013	2012
Number of homes closed (1)	8,496	8,107	8,265	7,151	6,098	5,525	5,397	4,184	3,286
Sales value of homes closed (1)(3)	$ 6,937,357	$ 7,080,379	$ 7,143,258	$ 5,815,058	$ 5,169,508	$ 4,171,248	$ 3,911,602	$ 2,674,299	$ 1,882,781
Revenues — % of completion (3)									
Number of homes contracted	9,932	8,075	8,519	8,175	6,719	5,910	5,271	5,294	4,159
Sales value of homes contracted (3)	$ 7,995,086	$ 6,710,937	$ 7,604,265	$ 6,828,277	$ 5,649,570	$ 4,955,579	$ 3,896,490	$ 3,633,908	$ 2,557,917
At October 31,	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Number of homes in backlog	7,791	6,266	6,105	5,851	4,685	4,064	3,679	3,679	2,569
Sales value of homes in backlog (2)(3)	$ 6,374,570	$ 5,257,091	$ 5,522,523	$ 5,061,517	$ 3,984,065	$ 3,504,004	$ 2,719,673	$ 2,629,466	$ 1,669,857
Number of selling communities	317	333	315	305	310	288	263	232	224
Home sites									
Owned	36,105	36,567	32,503	31,341	34,137	35,872	36,224	33,967	31,327
Optioned	27,077	22,663	20,919	16,970	14,700	8,381	10,943	14,661	9,023
Total	63,182	59,230	53,422	48,311	48,837	44,253	47,167	48,628	40,350

(1) Excludes 88 units with an aggregate delivered value of $86.1 million in fiscal 2008 and 336 units with an aggregate delivered value of $263.3 million in fiscal 2007 that were accounted for using the percentage of completion accounting method.
(2) Net of $55.2 million and $170.1 million of revenues recognized in fiscal 2007 and 2006, respectively, under the percentage of completion accounting method.
(3) In 000's

2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
$ 1,475,881	$ 1,494,771	$ 1,755,310	$ 3,148,166	$ 4,635,093	$ 6,115,280	$ 5,759,301	$ 3,839,451	$ 2,731,044	$ 2,279,261	$ 2,180,469	$ 1,762,930	$ 1,438,171
$ (29,366)	$ (117,187)	$ (496,465)	$ (466,787)	$ 70,680	$ 1,126,616	$ 1,323,128	$ 647,432	$ 411,153	$ 347,318	$ 337,889	$ 230,966	$ 160,432
$ 39,795	$ (3,374)	$ (755,825)	$ (297,810)	$ 35,651	$ 687,213	$ 806,110	$ 409,111	$ 259,820	$ 219,887	$ 213,673	$ 145,943	$ 101,566
$ 0.24	$ (0.02)	$ (4.68)	$ (1.88)	$ 0.22	$ 4.17	$ 4.78	$ 2.52	$ 1.72	$ 1.46	$ 1.38	$ 0.98	$ 0.68
168,381	165,666	161,549	158,730	164,166	164,852	168,552	162,330	151,083	150,959	154,734	149,651	149,744

2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
$ 1,139,912	$ 1,236,927	$ 1,908,894	$ 1,633,495	$ 900,337	$ 632,524	$ 689,219	$ 580,863	$ 425,251	$ 102,337	$ 182,840	$ 161,860	$ 96,484
$ 3,416,723	$ 3,241,725	$ 3,183,566	$ 4,127,475	$ 5,572,655	$ 6,095,702	$ 5,068,624	$ 3,878,260	$ 3,080,349	$ 2,551,061	$ 2,183,541	$ 1,712,383	$ 1,443,282
$ 5,048,478	$ 5,163,450	$ 5,624,972	$ 6,582,350	$ 7,214,739	$ 7,576,873	$ 6,336,251	$ 4,897,626	$ 3,779,440	$ 2,888,671	$ 2,525,014	$ 2,025,633	$ 1,662,810
$ 106,556	$ 94,491	$ 472,854	$ 613,594	$ 696,814	$ 736,934	$ 250,552	$ 340,380	$ 281,697	$ 253,194	$ 362,712	$ 326,537	$ 213,317
1,484,204	1,536,005	1,578,212	1,139,895	1,138,065	1,136,235	1,134,575	840,737	543,170				
		47,836	342,064	348,664	348,264	347,864	446,976	615,548	812,969	662,395	464,878	464,166
57,409	72,367	27,015	37,867	76,730	119,705	89,674	92,053	49,939	48,996	24,754		1,145
$ 1,648,169	$ 1,702,863	$ 2,125,917	$ 2,133,420	$ 2,260,273	$ 2,341,138	$ 1,822,665	$ 1,720,146	$ 1,490,354	$ 1,115,159	$ 1,049,861	$ 791,415	$ 678,628
$ 2,586,353	$ 2,555,453	$ 2,513,199	$ 3,237,653	$ 3,527,234	$ 3,415,926	$ 2,763,571	$ 1,919,987	$ 1,476,628	$ 1,129,509	$ 912,583	$ 745,145	$ 616,334
165,729	166,408	164,725	160,369	157,008	153,899	154,943	149,642	146,644	140,432	139,112	143,580	145,814
$ 15.61	$ 15.36	$ 15.26	$ 20.19	$ 22.47	$ 22.20	$ 17.84	$ 12.83	$ 10.07	$ 8.04	$ 6.56	$ 5.19	$ 4.23
1.6%	(0.1%)	(23.3%)	(8.4%)	1.0%	24.9%	42.0%	27.7%	23.0%	24.1%	28.7%	23.7%	19.3%

2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
2,611	2,642	2,965	4,743	6,687	8,601	8,769	6,627	4,911	4,430	4,358	3,945	3,555
$ 1,475,881	$ 1,494,771	$ 1,755,310	$ 3,106,293	$ 4,495,600	$ 5,945,169	$ 5,759,301	$ 3,839,451	$ 2,731,044	$ 2,279,261	$ 2,180,469	$ 1,762,930	$ 1,438,171
			$ 41,873	$ 139,493	$ 170,111							
2,784	2,605	2,450	2,927	4,440	6,164	10,372	8,684	6,132	5,070	4,314	4,364	3,799
$ 1,604,827	$ 1,472,030	$ 1,304,656	$ 1,608,191	$ 3,010,013	$ 4,460,734	$ 7,152,463	$ 5,641,454	$ 3,475,992	$ 2,734,457	$ 2,158,536	$ 2,134,522	$ 1,627,849

2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
1,667	1,494	1,531	2,046	3,950	6,533	8,805	6,709	4,652	3,342	2,702	2,746	2,327
$ 981,052	$ 852,106	$ 874,837	$ 1,325,491	$ 2,854,435	$ 4,488,400	$ 6,014,648	$ 4,433,895	$ 2,631,900	$ 1,858,784	$ 1,403,588	$ 1,425,521	$ 1,053,929
215	195	200	273	315	300	230	220	200	170	155	146	140
30,199	28,891	26,872	32,081	37,139	41,808	35,838	29,804	29,081	25,822	25,981	22,275	23,163
7,298	5,961	5,045	7,703	22,112	31,960	47,288	30,385	18,977	15,022	13,165	10,843	11,268
37,497	34,852	31,917	39,784	59,251	73,768	83,126	60,189	48,058	40,844	39,146	33,118	34,431

1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
$ 1,206,290	$ 968,253	$ 759,303	$ 643,017	$ 501,822	$ 392,560	$ 279,841	$ 175,971	$ 198,336	$ 176,864	$ 197,027	$ 134,856	$ 124,641
$ 132,523	$ 103,215	$ 85,793	$ 79,439	$ 56,840	$ 42,820	$ 27,493	$ 8,444	$ 16,801	$ 21,520	$ 40,803	$ 33,346	$ 23,718
$ 84,704	$ 65,075	$ 53,744	$ 49,932	$ 36,177	$ 28,058	$ 16,538	$ 5,013	$ 9,988	$ 13,127	$ 24,074	$ 17,173	$ 11,861
$ 0.55	$ 0.44	$ 0.36	$ 0.34	$ 0.25	$ 0.21	$ 0.12	$ 0.04	$ 0.08	$ 0.11	$ 0.20	$ 0.14	$ 0.11
153,441	149,049	147,516	145,440	142,620	133,868	132,936	125,648	118,856	119,880	120,612	121,540	111,812

1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
$ 80,143	$ 147,575	$ 22,891	$ 27,772	$ 38,026	$ 32,329	$ 33,407	$ 31,475	$ 10,379	$ 9,160	$ 27,110	$ 18,009	$ 14,720
$ 1,111,863	$ 921,595	$ 772,471	$ 623,830	$ 506,347	$ 402,515	$ 287,844	$ 222,775	$ 240,155	$ 256,934	$ 206,593	$ 143,894	$ 66,543
$ 1,250,505	$ 1,113,012	$ 833,189	$ 686,703	$ 580,148	$ 470,441	$ 380,584	$ 312,424	$ 316,534	$ 348,163	$ 256,611	$ 181,765	$ 108,185
$ 182,292	$ 189,579	$ 132,109	$ 59,057	$ 17,506	$ 24,779	$ 25,756	$ 49,943	$ 71,707	$ 95,508	$ 74,048	$ 55,545	$ 12,474
265,333	314,310	203,678	215,472	221,224	168,885	124,602	55,513	61,474	69,681	69,635	29,967	29,963
1,384	2,577	2,816	3,912	4,686	10,810	24,403	39,864	45,988	52,617		382	5,969
$ 449,009	$ 506,466	$ 338,603	$ 278,441	$ 243,416	$ 204,474	$ 174,761	$ 145,320	$ 179,169	$ 217,806	$ 143,683	$ 85,894	$ 48,406
$ 525,756	$ 385,252	$ 314,677	$ 256,659	$ 204,176	$ 167,136	$ 136,605	$ 118,195	$ 94,959	$ 85,832	$ 73,305	$ 48,842	$ 31,405
147,742	137,102	135,674	134,552	133,692	133,276	132,348	131,248	118,736	119,652	120,168	120,268	119,972
$ 3.56	$ 2.81	$ 2.32	$ 1.91	$ 1.53	$ 1.25	$ 1.03	$ 0.90	$ 0.80	$ 0.72	$ 0.61	$ 0.41	$ 0.26
22.0%	20.7%	20.9%	24.5%	21.7%	20.6%	14.0%	5.3%	11.7%	18.0%	49.3%	54.7%	122.5%

1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
3,099	2,517	2,109	1,825	1,583	1,324	1,019	676	727	676	778	674	802
$ 1,206,290	$ 968,253	$ 759,303	$ 643,017	$ 501,822	$ 392,560	$ 279,841	$ 175,971	$ 198,336	$ 176,864	$ 197,027	$ 134,856	$ 124,641
3,387	2,701	2,398	1,846	1,716	1,595	1,202	863	612	704	656	756	832
$ 1,383,093	$ 1,069,279	$ 884,677	$ 660,467	$ 586,941	$ 490,883	$ 342,811	$ 230,324	$ 163,975	$ 185,255	$ 162,504	$ 190,680	$ 133,369

1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986
1,892	1,551	1,367	1,078	1,025	892	621	438	251	366	338	460	378
$ 814,714	$ 627,220	$ 526,194	$ 400,820	$ 370,560	$ 285,441	$ 187,118	$ 124,148	$ 69,795	$ 104,156	$ 95,765	$ 130,288	$ 74,194
122	116	100	97	80	67	62	42	41	40	26	21	15
15,578	12,820	12,065	9,542	6,779	5,744	5,633	3,974	4,548	5,075	4,724	2,147	1,461
14,803	9,145	5,237	5,042	4,445	4,271	3,592	3,281	2,117	2,832	4,041	7,141	4,853
30,381	21,965	17,302	14,584	11,224	10,015	9,225	7,255	6,665	7,907	8,765	9,288	6,314

FORWARD-LOOKING STATEMENTS

Certain information included in this report or in other materials we have filed or will file with the SEC (as well as information included in oral statements or other written statements made or to be made by us) contains or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. One can identify these statements by the fact that they do not relate to matters of strictly historical or factual nature and generally discuss or relate to future events. These statements contain words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "may," "can," "could," "might," "should," "likely," "will," and other words or phrases of similar meaning. Such statements may include, but are not limited to, information related to: the impact of COVID-19 on the U.S. economy, the markets in which we operate or may operate, and on our business; our strategic priorities; our land acquisition, land development and capital allocation priorities; market conditions; demand for our homes; anticipated operating results; home deliveries; financial resources and condition; changes in revenues; changes in profitability; changes in margins; changes in accounting treatment; cost of revenues, including expected labor and material costs; selling, general and administrative expenses; interest expense; inventory write-downs; home warranty and construction defect claims; unrecognized tax benefits; anticipated tax refunds; sales paces and prices; effects of home buyer cancellations; growth and expansion; joint ventures in which we are involved; anticipated results from our investments in unconsolidated entities; our ability to acquire land and pursue real estate opportunities; our ability to gain approvals and open new communities; our ability to market, construct and sell homes and properties; our ability to deliver homes from backlog; our ability to secure materials and subcontractors; our ability to produce the liquidity and capital necessary to conduct normal business operations or to expand and take advantage of opportunities; and the outcome of legal proceedings, investigations, and claims.

Any or all of the forward-looking statements included in this report and in any other reports or public statements made by us are not guarantees of future performance and may turn out to be inaccurate. Many of the factors mentioned in this report or in other reports or public statements made by us will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from our forward-looking statements.

From time to time, forward-looking statements also are included in other reports on Forms 10-Q and 8-K; in press releases; in presentations; on our website; and in other materials released to the public. This can occur as a result of incorrect assumptions or as a consequence of known or unknown risks and uncertainties.

Forward-looking statements speak only as of the date they are made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

For a more detailed discussion of factors that we believe could cause our actual results to differ materially from expected and historical results, see "Item 1A – Risk Factors" in our Form 10-K for the year ended October 31, 2020. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995, and all of our forward-looking statements are expressly qualified in their entirety by the cautionary statements contained or referenced in this section.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

This discussion and analysis is based on, should be read together with, and is qualified in its entirety by, the Consolidated Financial Statements and Notes thereto in Item 15(a)1 of the Form 10-K for the year ended October 31, 2020, beginning at page F-1. It also should be read in conjunction with the disclosure under "Forward-Looking Statements" in Part I of the Form 10-K.

When this report uses the words "we," "us," "our," and the "Company," they refer to Toll Brothers, Inc. and its subsidiaries, unless the context otherwise requires. References herein to fiscal year refer to our fiscal years ended or ending October 31.

Unless otherwise stated in this report, net contracts signed represents a number or value equal to the gross number or value of contracts signed during the relevant period, less the number or value of contracts canceled during the relevant period, which includes contracts that were signed during the relevant period and in prior periods. Backlog consists of homes under contract but not yet delivered to our home buyers ("backlog"). Backlog conversion represents the percentage of homes delivered in the period from backlog at the beginning of the period ("backlog conversion").

OVERVIEW

Our Business

We design, build, market, sell, and arrange financing for an array of luxury residential single-family detached, attached home, master planned resort-style golf, and urban low-, mid-, and high-rise communities, principally on land we develop and improve, as we continue to pursue our strategy of broadening our product lines, price points and geographic footprint. We cater to luxury first-time, move-up, empty-nester, active-adult, affordable luxury and second-home buyers in the United States ("Traditional Home Building Product"), as well as urban and suburban renters. We also design, build, market, and sell urban low-, mid-, and high-rise condominiums through Toll Brothers City Living® ("City Living"). At October 31, 2020, we were operating in 24 states, as well as in the District of Columbia.

In the five years ended October 31, 2020, we delivered 38,117 homes from 779 communities, including 8,496 homes from 457 communities in fiscal 2020. At October 31, 2020, we had 778 communities in various stages of planning, development or operations containing approximately 63,200 home sites that we owned or controlled through options.

We are developing several land parcels for master planned communities in which we intend to build homes on a portion of the lots and sell the remaining lots to other builders. One of these master planned communities is being developed 100% by us, and the remaining communities are being developed through joint ventures with other builders or financial partners.

In addition to our residential for-sale business, we also develop and operate for-rent apartments through joint ventures. See the section entitled "Toll Brothers Apartment Living/Toll Brothers Campus Living" below.

We operate our own architectural, engineering, mortgage, title, land development, golf course development, and landscaping subsidiaries. We also operate our own security company, TBI Smart Home Solutions, which provides homeowners with home automation and a full range of technology options. In addition, in certain regions we operate our own lumber distribution, house component assembly, and manufacturing operations.

We have investments in various unconsolidated entities, including our Land Development Joint Ventures, Home Building Joint Ventures, Rental Property Joint Ventures and Gibraltar Joint Ventures.

Financial Highlights

In fiscal 2020, we recognized $6.94 billion of home sales revenues and net income of $446.6 million, as compared to $7.08 billion of revenues and net income of $590.0 million in fiscal 2019.

In fiscal 2020 and 2019, the value of net contracts signed was $8.00 billion (9,932 homes) and $6.71 billion (8,075 homes), respectively. The value of our backlog at October 31, 2020 was $6.37 billion (7,791 homes), as compared to our backlog at October 31, 2019 of $5.26 billion (6,266 homes).

At October 31, 2020, we had $1.37 billion of cash and cash equivalents and approximately $1.79 billion available for borrowing under our $1.905 billion revolving credit facility (the "Revolving

Credit Facility"), substantially all of which matures in November 2025. At October 31, 2020, we had no outstanding borrowings under the Revolving Credit Facility and had outstanding letters of credit of approximately $119.0 million.

At October 31, 2020, our total equity and our debt to total capitalization ratio were $4.93 billion and 0.45 to 1.00, respectively.

Acquisitions

As part of our strategy to expand our geographic footprint and product offerings, in fiscal 2020, we acquired substantially all of the assets and operations of Thrive, an urban infill builder with operations in Atlanta, Georgia and Nashville, Tennessee. We also acquired substantially all of the assets and operations of Keller, a builder with operations is Colorado Springs, Colorado. The aggregate purchase price for these acquisitions was approximately $79.2 million in cash. The assets acquired were primarily inventory, including approximately 1,100 home sites owned or controlled through land purchase agreements.

Our Business Environment and Current Outlook

We have recently experienced very strong demand for our homes. This resurgence in demand began for us in mid-May 2020, following the significant drop in sales we experienced in our fiscal second quarter as the initial impact of the COVID-19 pandemic was felt in the United States. The net signed contract in our fiscal fourth quarter of 3,407 homes and $2.74 billion were the highest totals for any quarter in our history, up 68% in homes and 63% in dollars, compared to the fiscal fourth quarter of 2019. Our backlog at fiscal year end was 7,791 homes and $6.37 billion, up 24% in units and 21% in dollars as compared to our backlog at fiscal year end 2019. The build time for our homes is generally 9 to 12 months from contract signing and, as a result, we expect to deliver significantly more homes in fiscal 2021 compared to fiscal 2020 as we deliver homes on contracts signed during this strong period of demand describe above. In response to the strong demand and in an effort to drive profitability and manage growth, we raised prices in a substantially all of our communities during our fiscal third and fourth quarters. We have also limited lot releases in some communities. We expect to continue these pricing and lot-release measures during fiscal 2021 assuming the strong demand environment continues.

We attribute the strong demand to a number of factors, including low interest rates, a continued undersupply of homes, and consumers' increased focus on the importance of home. We believe these factors will continue to support demand in fiscal 2021.

Although housing market demand has recently been very strong, we remain cautious as to the impact of the COVID-19 pandemic on the economy, among other things. Future economic conditions in the United States remain uncertain, in particular due to the disruptions caused by the pandemic and how related government directives, actions and economic relief efforts will impact the U.S. economy, employment levels, financial markets, secondary mortgage markets, consumer confidence, demand for our homes and availability of mortgage loans to homebuyers. The extent of such impact on our operational and financial performance will depend on future developments, including the duration of the pandemic, the acceptance and effectiveness of vaccines, and the related impact on the economy, financial markets, and our customers, trade partners and employees, all of which are highly uncertain, unpredictable and outside our control.

Competitive Landscape

The home building business is highly competitive and fragmented. We compete with numerous home builders of varying sizes, ranging from local to national in scope, some of which have greater sales and financial resources than we do. Sales of existing homes, whether by a homeowner or by a financial institution that may have acquired a home through a foreclosure, also provide competition. We compete primarily based on price, location, design, quality, service, and reputation. We believe our financial stability, relative to many others in our industry, provides us with a competitive advantage.

Land Acquisition and Development

Our business is subject to many risks because of the extended length of time that it takes to obtain the necessary approvals on a property, complete the land improvements on it, and deliver a home after a home buyer signs an agreement of sale. We attempt to reduce some of these risks and improve our capital efficiency by utilizing one or more of the following methods: controlling land for future development through options, which enable us to obtain necessary governmental approvals before acquiring title to the land; generally commencing construction of a detached home only after executing an agreement of sale and receiving a substantial down payment from the buyer; and using subcontractors to perform home construction and land development work on a fixed-price basis.

During fiscal 2020 and 2019, we acquired control of approximately 18,400 and 13,900 home sites, respectively, net of options terminated and home sites sold. At October 31, 2020, we controlled approximately 63,200 home sites, as compared to approximately 59,200 home sites at October 31, 2019, and approximately 53,400 home sites at October 31, 2018. In addition, at October 31, 2020, we expect to purchase approximately 2,100 additional home sites from several land development joint ventures in which we have an interest, at prices not yet determined.

Of the approximately 63,200 total home sites that we owned or controlled through options at October 31, 2020, we owned approximately 36,100 and controlled approximately 27,000 through options. Of the 63,200 home sites, approximately 16,600 were substantially improved.

In addition, at October 31, 2020, our Land Development Joint Ventures owned approximately 9,600 home sites (including 139 home sites included in the 27,000 controlled through options), and our Home Building Joint Ventures owned approximately 67 home sites.

At October 31, 2020, we were selling from 317 communities, compared to 333 communities at October 31, 2019, and 315 communities at October 31, 2018.

Customer Mortgage Financing

We maintain relationships with a diversified group of mortgage financial institutions, many of which are among the largest in the industry. We believe that regional and community banks continue to recognize the long-term value in creating relationships with high-quality, affluent customers such as our home buyers, and these banks continue to provide these customers with financing.

We believe that our home buyers generally are, and should continue to be, well-positioned to secure mortgages due to their typically lower loan-to-value ratios and attractive credit profiles, as compared to the average home buyer.

Toll Brothers Apartment Living/Toll Brothers Campus Living

In addition to our residential for-sale business, we also develop and operate for-rent apartments through joint ventures. At October 31, 2020, we or joint ventures in which we have an interest, controlled 64 land parcels that are planned as for-rent apartment projects containing approximately 20,800 units. These projects, which are located in multiple metropolitan areas throughout the country, are being operated, are being developed or will be developed with partners under the brand names Toll Brothers Apartment Living and Toll Brothers Campus Living.

In fiscal 2020, we sold all of our ownership interest in one of our Rental Property Joint Ventures to our partner for cash of $16.8 million, net of closing costs. The joint venture had owned, developed, and operated multifamily residential apartments in northern New Jersey. We recognized a gain of $10.7 million in fiscal 2020 from this sale. In fiscal 2019, one of our Rental Property Joint Ventures, located in Phoenixville, Pennsylvania, sold its assets to an unrelated party for $77.8 million. From our investment in this joint venture, we received cash of $7.4 million and recognized a gain from this sale of $3.8 million in fiscal 2019. In fiscal 2018, three of our Rental Property Joint Ventures sold their assets to unrelated parties for $477.5 million. These joint ventures had owned, developed, and operated multifamily rental properties located in suburban Washington, D.C. and Westborough, Massachusetts, and a student housing community in College Park, Maryland. From our investment in these joint ventures, we received cash of $79.1 million and recognized gains from these sales of $67.2 million in fiscal 2018. The gains recognized from these sales are included in "Income from unconsolidated entities" in our Consolidated Statement of Operations and Comprehensive Income included in Item 15(a)1 of the Form 10-K for the year ended October 31, 2020.

At October 31, 2020, we had approximately 2,000 units in for-rent apartment projects that were occupied or ready for occupancy, 2,200 units in the lease-up stage, 11,100 units in the design phase or under development, and 5,500 units in the planning stage. Of the 20,800 units at October 31, 2020, 9,400 were owned by joint ventures in which we have an interest; approximately 6,100 were owned by us; and 5,300 were under contract to be purchased by us.

CONTRACTS AND BACKLOG

The aggregate value of net sales contracts signed increased 19.1% in fiscal 2020, as compared to fiscal 2019. The value of net sales contracts signed was $8.00 billion (9,932 homes) in fiscal 2020 and $6.71 billion (8,075 homes) in fiscal 2019. The increase in the aggregate value of net contracts signed in fiscal 2020, as compared to fiscal 2019, was due to a 23% increase in the number of net contracts signed offset, in part, by a 3% decrease in the average value of each contract signed. The increase in the number of net contracts signed in fiscal 2020, as compared to fiscal 2019, reflects an overall increase in demand in the housing market, as well as a resurgence in demand for our homes that began at the outset of our fiscal third quarter. We attribute the increase in demand to a number of factors, including low interest rates, a continued undersupply of homes, and consumers' increased focus on the importance of home. The decrease in average price of net contracts signed in fiscal 2020, as compared to fiscal 2019, was principally due to our strategic expansion into more affordable luxury homes and our geographic expansion into attractive high-growth markets. This decrease was partially offset by price increases in many of our markets.

The value of our backlog at October 31, 2020, 2019, and 2018 was $6.37 billion (7,791 homes), $5.26 billion (6,266 homes), and $5.52 billion (6,105 homes), respectively. Approximately 94% of the homes in backlog at October 31, 2020 are expected to be delivered by October 31, 2021. The 21.3% increase in the value of homes in backlog at October 31, 2020, as compared to October 31, 2019, was due to an increase in the value of net contracts signed and lower home sales revenues in fiscal 2020, as compared to fiscal 2019.

For more information regarding revenues, net contracts signed, and backlog by geographic segment, see "Segments" in this MD&A.

CRITICAL ACCOUNTING POLICIES

We believe the following critical accounting policies reflect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Inventory

Inventory is stated at cost unless an impairment exists, in which case it is written down to fair value in accordance with U.S. generally accepted accounting principles ("GAAP"). In addition to direct land acquisition, land development, and home construction costs, costs also include interest, real estate taxes, and direct overhead related to development and construction, which are capitalized to inventory during periods beginning with the commencement of development and ending with the completion of construction. For those communities that have been temporarily closed, no additional capitalized interest is allocated to the community's inventory until it reopens, and other carrying costs are expensed as incurred. Once a parcel of land has been approved for development and we open the community, it can typically take four or more years to fully develop, sell, and deliver all the homes in that community. Longer or shorter time periods are possible depending on the number of home sites in a community and the sales and delivery pace of the homes in a community. Our master planned communities, consisting of several smaller communities, may take up to 10 years or more to complete. Because our inventory is considered a long-lived asset under GAAP, we are required to regularly review the carrying value of each of our communities and write down the value of those communities when we believe the values are not recoverable.

OPERATING COMMUNITIES: When the profitability of an operating community deteriorates, the sales pace declines significantly, or some other factor indicates a possible impairment in the recoverability of the asset, the asset is reviewed for impairment by comparing the estimated future undiscounted cash flow for the community to its carrying value. If the estimated future undiscounted cash flow is less than the community's carrying value, the carrying value is written down to its estimated fair value. Estimated fair value is primarily determined by discounting the estimated future cash flow of each community. The impairment is charged to cost of home sales revenues in the period in which the impairment is determined. In estimating the future undiscounted cash flow of a community, we use various estimates such as (i) the expected sales pace in a community, based upon general economic conditions that will have a short-term or long-term impact on the market in which the community is located and on competition within the market, including the number of home sites available and pricing and incentives being offered in other communities owned by us or by other builders; (ii) the expected sales prices and sales incentives to be offered in a community; (iii) costs expended to date and expected to be incurred in the future, including, but not limited to, land and land development costs, home construction, interest, and overhead costs; (iv) alternative product offerings that may be offered in a community that will have an impact on sales pace, sales price, building cost, or the number of homes that can be built in a particular community; and (v) alternative uses for the property, such as the possibility of a sale of the entire community to another builder or the sale of individual home sites.

FUTURE COMMUNITIES: We evaluate all land held for future communities or future sections of operating communities, whether owned or optioned, to determine whether or not we expect to proceed with the development of the land as originally contemplated. This evaluation encompasses the same types of estimates used for operating communities described above, as well as an evaluation of the regulatory environment in which the land is located and the estimated probability of obtaining the necessary approvals, the estimated time and cost it will take to obtain those approvals, and the possible concessions that may be required to be given in order to obtain them. Concessions may include cash payments to fund improvements to public places such as parks and streets, dedication of a portion of the property for use by the public or as open space, or a reduction in the density or size of the homes to be built. Based upon this review, we decide (i) as to land under contract to be purchased, whether the contract will likely be terminated or renegotiated, and (ii) as to land we own, whether the land will likely be developed as contemplated or in an alternative manner, or should be sold. We then further determine whether costs that have been capitalized to the community are recoverable or should be written off. The write-off is charged to cost of home sales revenues in the period in which the need for the write-off is determined.

The estimates used in the determination of the estimated cash flows and fair value of both current and future communities are based on factors known to us at the time such estimates are made and our expectations of future operations and economic conditions. Should the estimates or expectations used in determining estimated fair value deteriorate in the future, we may be required to recognize additional impairment charges and write-offs related to current and future communities and such amounts could be material.

We provided for inventory impairment charges and the expensing of costs that we believed not to be recoverable in each of the three fiscal years ended October 31, 2020, 2019, and 2018, as shown in the table below (amounts in thousands):

	2020	2019	2018
Land controlled for future communities	$ 23,539	$ 11,285	$ 2,820
Land owned for future communities	31,669	—	2,185
Operating communities	675	31,075	30,151
	$ 55,883	$ 42,360	$ 35,156

In fiscal 2020, we recognized $31.7 million of impairment charges on land owned for future communities relating to nine communities. As of the period the impairment charges were recognized, the fair value of these communities in the aggregate, net of impairment charges, was $21.8 million. There were no impairment charges on land owned for future communities in 2019 and $2.2 million recognized in fiscal 2018.

The table below provides, for the periods indicated, the number of operating communities that we reviewed for potential impairment, the number of operating communities in which we recognized impairment charges, the amount of impairment charges recognized, and, as of the end of the period indicated, the fair value of those communities, net of impairment charges ($ amounts in thousands):

		Impaired operating communities		
Three months ended:	**Number of communities tested**	**Number of communities**	**Fair value of communities, net of impairment charges**	**Impairment charges recognized**
Fiscal 2020:				
January 31	65	—	$ —	$ —
April 30	80	1	$ 2,754	300
July 31	66	—	$ —	—
October 31	53	1	$ 1,113	375
				$ 675
Fiscal 2019:				
January 31	49	5	$ 37,282	$ 5,785
April 30	64	6	$ 36,159	17,495
July 31	69	3	$ 5,436	1,100
October 31	71	7	$ 18,910	6,695
				$ 31,075
Fiscal 2018:				
January 31	64	5	$ 13,318	$ 3,736
April 30	65	4	$ 21,811	13,325
July 31	55	5	$ 43,063	9,065
October 31	43	6	$ 24,692	4,025
				$ 30,151

Revenue and Cost Recognition

HOME SALES REVENUES AND COST RECOGNITION: Revenues and cost of revenues from home sales are recognized at the time each home is delivered and title and possession are transferred to the buyer. For the majority of our home closings, our performance obligation to deliver a home is satisfied in less than one year from the date a binding sale agreement is signed.

For our standard attached and detached homes, land, land development, and related costs, both incurred and estimated to be incurred in the future, are amortized to the cost of homes closed based upon the total number of homes to be constructed in each community. Any changes resulting from a change in the estimated number of homes to be constructed or in the estimated costs subsequent to the commencement of delivery of homes are allocated to the remaining undelivered homes in the community. Home construction and related costs are charged to the cost of homes closed under the specific identification method. For our master planned communities, the estimated land, common area development, and related costs, including the cost of golf courses, net of their estimated residual value, are allocated to individual communities within a master planned community on a relative sales value basis. Any changes resulting from a change in the estimated number of homes to be constructed or in the estimated costs are allocated to the remaining home sites in each of the communities of the master planned community.

For high-rise/mid-rise projects, land, land development, construction, and related costs, both incurred and estimated to be incurred in the future, are generally amortized to the cost of units closed based upon an estimated relative sales value of the units closed to the total estimated sales value. Any changes resulting from a change in the estimated total costs or revenues of the project are allocated to the remaining units to be delivered.

FORFEITED CUSTOMER DEPOSITS: Forfeited customer deposits are recognized in "Home sales revenues" in our Consolidated Statements of Operations and Comprehensive Income in the period in which we determine that the customer will not complete the purchase of the home and we have the right to retain the deposit.

SALES INCENTIVES: In order to promote sales of our homes, we may offer our home buyers sales incentives. These incentives will vary by type of incentive and by amount on a community-by-community and home-by-home basis. Incentives are reflected as a reduction in home sales revenues. Incentives are recognized at the time the home is delivered to the home buyer and we receive the sales proceeds.

On November 1, 2018, we adopted Accounting Standards Codification ("ASC") Topic 606 "Revenue from Contracts with Customers" ("ASC 606"), which supersedes the revenue recognition requirements in Accounting Standards Codification Topic 605, "Revenue Recognition," and most industry-specific guidance. See Note 1, "Significant Accounting Policies" in Notes to Consolidated Financial Statements in Item 15(a)1 of the Form 10-K for the year ended October 31, 2020 for additional information regarding the impact of the adoption of ASC 606.

In the fourth quarter of fiscal 2020, we reclassified sales commissions paid to third-party brokers from home sales cost of revenues to selling, general and administrative expense ("SG&A") in the Consolidated Statements of Operations and Comprehensive Income. The reclassification aligns the treatment of sale commissions paid to third-party brokers with the treatment of sales commissions paid to in-house salespersons, and is consistent with the manner in which the majority of the Company's peers treat such commissions. The reclassification had the effect of lowering home sales cost of revenues (and increasing homes sales gross margin) and increasing SG&A by the amount of sale commissions paid to third-party brokers.

Warranty and Self-Insurance

WARRANTY: We provide all of our home buyers with a limited warranty as to workmanship and mechanical equipment. We also provide many of our home buyers with a limited 10-year warranty as to structural integrity. We accrue for expected warranty costs at the time each home is closed and title and possession are transferred to the home buyer. Warranty costs are accrued based upon historical experience. Adjustments to our warranty liabilities related to homes delivered in prior years are recorded in the period in which a change in our estimate occurs. Over the past several years, we have had a significant number of warranty claims related primarily to homes built in Pennsylvania and Delaware. See Note 7 – "Accrued Expenses" in Item 15(a)1 of the Form 10-K for the year ended October 31, 2020 for additional information regarding these warranty charges.

SELF-INSURANCE: We maintain, and require the majority of our subcontractors to maintain, general liability insurance (including construction defect and bodily injury coverage) and workers' compensation insurance. These insurance policies protect us against a portion of our risk of loss from claims related to our home building activities, subject to certain self-insured retentions, deductibles and other coverage limits ("self-insured liability"). We also provide general liability insurance for our subcontractors in Arizona, California, Colorado, Nevada, Washington, and certain areas of Texas, where eligible subcontractors are enrolled as insureds under our general liability insurance policies in each community in which they perform work. For those enrolled subcontractors, we absorb their general liability associated with the work performed on our homes within the applicable community as part of our overall general liability insurance and our self-insurance through our captive insurance subsidiary.

We record expenses and liabilities based on the estimated costs required to cover our self-insured liability and the estimated costs of potential claims and claim adjustment expenses that are not covered by our insurance policies. These estimated costs are based on an analysis of our historical claims and industry data, and include an estimate of claims incurred but not yet reported ("IBNR").

We engage a third-party actuary that uses our historical claim and expense data, input from our internal legal and risk management groups, as well as industry data, to estimate our liabilities related to unpaid claims, IBNR associated with the risks that we are assuming for our self-insured liability and other required costs to administer current and expected claims. These estimates are subject to uncertainty due to a variety of factors, the most significant being the long period of time between the delivery of a home to a home buyer and when a structural warranty or construction defect claim is made, and the ultimate resolution of the claim. Though state regulations vary, construction defect claims are reported and resolved over a prolonged period of time, which can extend for 10 years or longer. As a result, the majority of the estimated liability relates to IBNR. Adjustments to our liabilities related to homes delivered in prior years are recorded in the period in which a change in our estimate occurs.

The projection of losses related to these liabilities requires actuarial assumptions that are subject to variability due to uncertainties regarding construction defect claims relative to our markets and the types of product we build, insurance industry practices and legal or regulatory actions and/or interpretations, among other factors. Key assumptions used in these estimates include claim frequencies, severity and settlement patterns, which can occur over an extended period of time. In addition, changes in the frequency and severity of reported claims and the estimates to settle claims can impact the trends and assumptions used in the actuarial analysis, which could be material to our consolidated financial statements. Due to the degree of judgment required, and the potential for variability in these underlying assumptions, our actual future costs could differ from those estimated, and the difference could be material to our consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

We also operate through a number of joint ventures. We earn construction and management fee income from many of these joint ventures. Our investments in these entities are generally accounted for using the equity method of accounting. We are a party to several joint ventures with unrelated parties to develop and sell land that is owned by the joint ventures. We recognize our proportionate share of the earnings from the sale of home sites to other builders, including our joint venture partners. We do not recognize earnings from the home sites we purchase from these ventures at the time of our purchase; instead, our cost basis in the home sites is reduced by our share of the earnings realized by the joint venture from those home sites.

At October 31, 2020, we had investments in these entities of $430.7 million, and were committed to invest or advance up to an additional $75.0 million to these entities if they require additional funding. At October 31, 2020, we had agreed to terms for the acquisition of 139 home sites from one Land Development Joint Ventures for an estimated aggregate purchase price of $10.1 million. In addition, we expect to purchase approximately 2,100 additional home sites over a number of years from several of these joint ventures; the purchase price of these home sites will be determined at a future date.

The unconsolidated entities in which we have investments generally finance their activities with a combination of partner equity and debt financing. In some instances, we have guaranteed debt of unconsolidated entities. These guarantees may include any or all of the following: (i) project completion guarantees, including any cost overruns; (ii) repayment guarantees, generally covering a percentage of the outstanding loan; (iii) carry cost guarantees, which cover costs such as interest, real estate taxes, and insurance; (iv) an environmental indemnity provided to the lender that holds the lender harmless from and against losses arising from the discharge of hazardous materials from the property and non-compliance with applicable environmental laws; and (v) indemnification of the lender from "bad boy acts" of the unconsolidated entity.

In some instances, we and our joint venture partner have provided joint and several guarantees in connection with loans to unconsolidated entities. In these situations, we generally seek to implement a reimbursement agreement with our partner that provides that neither party is responsible for more than its proportionate share or agreed-upon share of the guarantee; however, we are not always successful. In addition, if the joint venture partner does not have adequate financial resources to meet its obligations under such a reimbursement agreement, we may be liable for more than our proportionate share.

We believe that as of October 31, 2020, in the event we become legally obligated to perform under a guarantee of the obligation of an unconsolidated entity due to a triggering event, the collateral should be sufficient to repay all or a significant portion of the obligation. If it is not, we and our partners would need to contribute additional capital to the entity. At October 31, 2020, we had guaranteed the debt of certain unconsolidated entities with loan commitments aggregating $1.51 billion, of which, if the full amount of the debt obligations were borrowed, we estimate $229.3 million to be our maximum exposure related to repayment and carry cost guarantees. At October 31, 2020, the unconsolidated entities had borrowed an aggregate of $1.02 billion, of which we estimate $179.1 million to be our maximum exposure related to repayment and carry cost guarantees. These maximum exposure estimates do not take into account any recoveries from the underlying collateral or any reimbursement from our partners.

For more information regarding these joint ventures, see Note 4, "Investments in Unconsolidated Entities" in the Notes to Consolidated Financial Statements in Item 15(a)1 of the Form 10-K for the year ended October 31, 2020.

The trends, uncertainties or other factors that impact our business and the industry in general also impact the unconsolidated entities in which we have investments. We review each of our investments on a quarterly basis for indicators of impairment. A series of operating losses of an investee, the inability to recover our invested capital, or other factors may indicate that a loss in value of our investment in the unconsolidated entity has occurred. If a loss exists, we further review to determine if the loss is other than temporary, in which case we write down the investment to its estimated fair value. The evaluation of our investment in unconsolidated entities entails a detailed cash flow analysis using many estimates including but not limited to, expected sales pace, expected sales prices, expected incentives, costs incurred and anticipated, sufficiency of financing and capital, competition, market conditions and anticipated cash receipts, in order to determine projected future distributions. Each of the unconsolidated entities evaluates its inventory in a similar manner. In addition, for our unconsolidated entities that own, develop, and manage for-rent residential apartments, we review rental trends, expected future expenses, and expected future cash flows to determine estimated fair values of the underlying properties. See "Critical Accounting Policies - Inventory" contained in this MD&A for more detailed disclosure on our evaluation of inventory. If a valuation adjustment is recorded by an unconsolidated entity related to its assets, our proportionate share is reflected in income from unconsolidated entities with a corresponding decrease to our investment in unconsolidated entities. Based upon our evaluation of the fair value of our investments in unconsolidated entities, we recognized charges in connection with one Home Building Joint Venture of $6.0 million in fiscal 2020; one Land Development Joint Venture of $1.0 million in fiscal 2019; and two Land Development Joint Ventures of $6.0 million in fiscal 2018.

RESULTS OF OPERATIONS

The following table compares certain items in our Consolidated Statements of Operations and Comprehensive Income and other supplemental information for fiscal 2020, 2019 and 2018 ($ amounts in millions, unless otherwise stated). For more information regarding results of operations by operating segment, see "Segments" in this MD&A.

	2020	2019	% Change 2020 vs 2019	2018	% Change 2019 vs 2018
Revenues: (1)					
Home sales	$ 6,937.4	$ 7,080.4	(2)%	$ 7,143.3	(1)%
Land sales and other	140.3	143.6		—	
	7,077.7	7,224.0	(2)%	7,143.3	1%
Cost of revenues: (1)					
Home sales (2)	5,534.1	5,534.2	—%	5,536.8	—%
Land sales and other	125.9	129.7		—	
	5,660.0	5,663.9	—%	5,536.8	2%
Selling, general and administrative (2)	867.4	879.2	(1)%	820.2	7%
Income from operations	550.3	680.8	(19)%	786.2	(13)%
Other:					
Income from unconsolidated entities	0.9	24.9	(96)%	85.2	(71)%
Other income – net	35.7	81.5	(56)%	62.5	30%
Income before income taxes	586.9	787.2	(25)%	933.9	(16)%
Income tax provision	140.3	197.2	(29)%	185.8	6%
Net income	$ 446.6	$ 590.0	(24)%	$ 748.2	(21)%
Supplemental information:					
Home sales cost of revenues as a percentage of home sales revenues (2)	79.8%	78.2%		77.5%	
Land sales and other cost of revenues as a percentage of land sales and other revenues (1)	89.7%	90.3%			
SG&A as a percentage of home sales revenues (2)	12.5%	12.4%		11.5%	
Effective tax rate	23.9%	25.1%		19.9%	
Deliveries – units	8,496	8,107	5%	8,265	(2)%
Deliveries – average selling price (in ‘000s)	$ 816.5	$ 873.4	(7)%	$ 864.3	1%
Net contracts signed – value	$ 7,995.1	$ 6,710.9	19%	$ 7,604.3	(12)%
Net contracts signed – units	9,932	8,075	23%	8,519	(5)%
Net contracts signed – average selling price (in ‘000s)	$ 805.0	$ 831.1	(3)%	$ 892.6	(7)%

	At October 31,				
	2020	2019	% Change 2020 vs 2019	2018	% Change 2019 vs 2018
Backlog – value	$ 6,374.6	$ 5,257.1	21%	$ 5,522.5	(5)%
Backlog – units	7,791	6,266	24%	6,105	3%
Backlog – average selling price (in ‘000s)	$ 818.2	$ 839.0	(2)%	$ 904.6	(7)%

Note: Amounts may not add due to rounding.

(1) On November 1, 2018, we adopted ASC 606. Upon adoption, land sale activity is presented as part of income from operations where previously it was included in “Other income - net.” In fiscal 2018, we recognized land sales revenues and land sales cost of revenues of $134.3 million and $128.0 million, respectively. Further, retained customer deposits, which totaled $11.8 million and $13.2 million, in fiscal 2020 and 2019, respectively, are included in “Home sales revenue” where previously they were included in “Other income – net.” In fiscal 2018, retained customer deposits were $8.9 million. Prior periods are not restated.

(2) Effective October 31, 2020, we reclassified sales commissions paid to third-party brokers from home sales cost of revenues to selling, general and administrative expense in our Consolidated Statements of Operations and Comprehensive Income. The reclassification aligns the treatment of sales commissions paid to third-party brokers with the treatment of sales commissions paid to in-house salespersons, and is consistent with the manner in which the majority of the Company’s peers treat such commissions. The reclassification had the effect of lowering home sales cost of revenues (and increasing home sales gross margin) and increasing selling, general and administrative expense by the amount of third-party broker commissions, which totaled $138.6 million, $144.7 million and $136.2 million, or 2.0%, 2.0% and 1.9% of home sales revenues, for the years ended October 31, 2020, 2019 and 2018, respectively. All prior period amounts have been reclassified to conform to the 2020 presentation.

FISCAL 2020 COMPARED TO FISCAL 2019

Home Sales Revenues And Home Sales Cost Of Revenues

The decrease in home sales revenues in fiscal 2020, as compared to fiscal 2019, was attributable to a 7% decrease in the average price of the homes delivered, offset, in part, by a 5% increase in the number of homes delivered. Consistent with our strategy to expand geographically and by product type, the decrease in the average delivered home price was primarily due to a shift in the number of homes delivered to less expensive areas and/or products. The shift in the number of homes delivered to less expensive areas and/or products in the fiscal 2020, as compared to the fiscal 2019, was primarily related to a decrease in the number of homes closed under our City Living brand and in Southern California, where average prices are higher than the Company average; our strategic expansion into more affordable luxury home and attractive high-growth markets, which includes homes delivered in metropolitan Atlanta, Georgia and several markets in South Carolina from the Sharp and Sabal acquisitions; and an increase in the number of quick delivery homes delivered, where average prices are lower than the Company average. The increase in the number of homes delivered in fiscal 2020, as compared to fiscal 2019, was primarily due to home deliveries resulting from the Sharp and Sabal acquisitions; an increase in homes delivered in Northern California mainly attributable to closings at a large high-density condominium community; and an increase in the number of quick delivery homes delivered in fiscal 2020. These increases were partially offset by decreases in homes delivered in Southern California and under our City Living brand, primarily due to lower backlog at October 31, 2019, as compared to October 31, 2018.

Home sales cost of revenues, as a percentage of homes sales revenues, in fiscal 2020 was 79.8%, as compared to 78.2% in fiscal 2019. The increase in fiscal 2020 was principally due to a shift in the mix of revenues to lower margin products/areas; higher land, land development, material and labor costs; and higher inventory impairment charges. These increases were offset, in part, by lower interest expense in the fiscal 2020 period, as compared to the fiscal 2019 period. Interest cost in fiscal 2020 was $174.4 million or 2.5% of home sales revenues, as compared to $185.0 million or 2.6% of home sales revenues in fiscal 2019. We recognized inventory impairments and write-offs of $55.9 million or 0.8% of home sales revenues and $42.4 million or 0.6% of home sales revenues in fiscal 2020 and fiscal 2019, respectively.

Land Sales And Other Revenues And Land Sales And Other Cost Of Revenues

Our revenues from land sales and other generally consist of the following: (1) land sales to joint ventures in which we retain an interest; (2) lot sales to third-party builders within our master planned communities; and (3) bulk land sales to third parties of land we have decided no longer meets our development criteria.

Prior to the adoption of ASC 606, land sales activity was reported within "Other income – net" in our Consolidated Statements of Operations and Comprehensive Income. In fiscal 2018, we recognized land sales revenues and land sales cost of revenues of $134.3 million and $128.0 million, respectively.

Selling, General And Administrative Expenses ("Sg&A")

SG&A spending decreased by $11.8 million in fiscal 2020, as compared to fiscal 2019. As a percentage of home sales revenues, SG&A was 12.5% and 12.4% in fiscal 2020 and 2019, respectively. The dollar decrease in SG&A was due primarily to lower sales and marketing expenses as we reduced spend following the onset of the COVID-19 pandemic and we implemented a number of cost reduction initiatives to improve efficiencies and rationalize overhead expenses, including workforce reductions. Such initiatives included cancellation of discretionary benefit plan contributions related to fiscal 2019, which resulted in the reversal of an $8.0 million accrual. The decrease in spending in fiscal 2020 was offset, in part, by a $7.5 million charge for severance costs incurred in the second quarter of fiscal 2020, other compensation increases, and costs related to the implementation of new enterprise information technology systems. The increase in SG&A as a percentage of revenues was due to a 2% decrease in revenues partially offset by a 1% decrease in SG&A spending in fiscal 2020, as compared to fiscal 2019.

Income From Unconsolidated Entities

We recognize our proportionate share of the earnings and losses from the various unconsolidated entities in which we have an investment. Many of our unconsolidated entities are land development projects, high-rise/mid-rise condominium construction projects, or for-rent apartments projects, which do not generate revenues and earnings for a number of years during the development of the property. Once development is complete for land development projects and high-rise/mid-rise condominium construction projects, these unconsolidated entities will generally, over a relatively short period of time, generate revenues and earnings until all of the assets of the entity are sold. Further, once for-rent apartments projects are complete and stabilized, we may monetize a portion of these projects through a recapitalization or a sale of all or a portion of our ownership interest in the joint venture, resulting in an income producing event. Because of the long development periods associated with these entities, the earnings recognized from these entities may vary significantly from quarter to quarter and year to year.

The decrease in income from unconsolidated entities from $24.9 million in fiscal 2019 to $0.9 million in fiscal 2020, was due mainly to a decrease in earnings from two Home Building Joint Ventures which delivered their last homes in fiscal 2019; $6.0 million of other-than-temporary impairment charges that we recognized on one of our Home Building Joint Ventures in fiscal 2020; a $3.8 million gain recognized in fiscal 2019 from an asset sale by one of our Rental Property Joint Ventures; losses recognized by a joint venture that owns a hotel that was adversely impacted by COVID-19; and an increase in losses in several Rental Property Joint Ventures related to the commencement of operations and lease up activities in fiscal 2020, as compared to fiscal 2019. The decrease was offset, in part, by a $10.7 million gain recognized in the fiscal 2020 period from the sale of our investment in one of our Rental Property Joint Ventures to our joint venture partner.

Other Income – Net

The table below provides the components of "Other Income – net" for the years ended October 31, 2020 and 2019 (amounts in thousands):

	2020	2019
Income from ancillary businesses	$ 25,540	$ 53,568
Management fee income from home building unconsolidated entities, net	3,636	9,948
Other	6,517	17,986
Total other income–net	$ 35,693	$ 81,502

The decrease in income from ancillary businesses in fiscal 2020, as compared to fiscal 2019, was mainly due to gains recognized of $35.1 million from the sale of seven golf clubs in fiscal 2019; higher losses incurred in our apartment living operations; lower income from golf club operations; and $0.3 million of severance costs in fiscal 2020, as compared to fiscal 2019. This decrease was partially offset by gains of $13.0 million recognized in fiscal 2020 from the sale of golf club properties and higher earnings from our mortgage company operations primarily due to an increase in volume in fiscal 2020, as compared to fiscal 2019.

Management fee income from home building unconsolidated entities presented above includes fees earned by our City Living and Traditional Home Building operations. The decrease in fiscal 2020, as compared to fiscal 2019, was primarily related to the decrease in the number of communities. In addition to the fees earned by our City Living and Traditional Home Building operations, in fiscal 2020 and 2019, our apartment living operations earned fees from unconsolidated entities of $14.0 million and $11.9 million, respectively. Fees earned by our apartment living operations are included in income from ancillary businesses.

The decrease in "other" in fiscal 2020, as compared to fiscal 2019, was principally due to lower interest income earned and $2.4 million of directly expensed interest in fiscal 2019.

Income Before Income Taxes

In fiscal 2020, we reported income before income taxes of $586.9 million or 8.3% of revenues, as compared to $787.2 million, or 10.9% of revenues in fiscal 2019.

Income Tax Provision

We recognized a $140.3 million income tax provision in fiscal 2020. Based upon the federal statutory rate of 21.0% for fiscal 2020, our federal tax provision would have been $123.2 million. The difference between the tax provision recognized and the tax provision based on the federal statutory rate was mainly due to the provision for state income taxes of $25.8 million and $4.8 million of other permanent differences, offset, in part, by a $11.5 million benefit of federal energy efficient home credits; a benefit of $3.3 million from excess tax benefits related to stock-based compensation; and the reversal of $1.7 million of previously accrued tax provisions on uncertain tax positions that were no longer necessary due to the expiration of the statute of limitations.

We recognized a $197.2 million income tax provision in fiscal 2019. Based upon the federal statutory rate of 21.0% for fiscal 2019, our federal tax provision would have been $165.3 million. The difference between the tax provision recognized and the tax provision based on the federal statutory rate was mainly due to the provision for state income taxes of $37.9 million, $4.9 million of other permanent differences, and an increase in unrecognized tax benefits of $2.2 million, offset, in part, by the reversal of $5.3 million of previously accrued tax provisions on uncertain tax positions that were no longer necessary due to the expiration of the statute of limitations, a $3.1 million benefit of federal energy efficient home credits, and a benefit of $2.1 million from excess tax benefits related to stock-based compensation.

FISCAL 2019 COMPARED TO FISCAL 2018

Home Sales Revenues And Home Sales Cost Of Revenues

The decrease in home sales revenues in fiscal 2019, as compared to fiscal 2018, was attributable to a 2% decrease in the number of homes delivered, offset, in part, by a 1% increase in the average price of the homes delivered. The decrease in the number of homes delivered was primarily due to a moderation in demand, particularly in California, which we experienced beginning in the fourth quarter of fiscal 2018 through the third quarter of fiscal 2019. This decrease was partially offset by contracts we signed in the metropolitan Atlanta, Georgia market and several markets in South Carolina in fiscal 2019 from the Sharp and Sabal acquisitions and an increase in the number of selling communities, primarily in our South and Mountain regions, in fiscal 2019, as compared to fiscal 2018. The increase in the average delivered home price was mainly due to price increases in homes delivered in the Pacific and Mountain regions and a shift in the number of homes delivered to more expensive areas and/or products in California, New Jersey, Virginia, Washington, and the Mountain region in fiscal 2019, as compared to fiscal 2018. These increases were partially offset by a shift in the number of homes delivered to less expensive areas in City Living in fiscal 2019, as compared to fiscal 2018 and a decrease in the number of homes delivered in California where home prices were higher, in fiscal 2019, as compared to fiscal 2018.

Home sales cost of revenues, as a percentage of homes sales revenues, in fiscal 2019 was 78.2%, as compared to 77.5% in fiscal 2018. The increase in fiscal 2019 was primarily due to higher land, land development, material and labor costs; a shift in the mix of our home sales revenues to lower margin products/areas; the recovery of approximately $9.7 million from litigation settlements in fiscal 2018; a $7.0 million benefit in fiscal 2018 from the reversal of an accrual related to an indemnification obligation related to the Shapell acquisition that expired; and higher inventory impairment charges in fiscal 2019, as compared to fiscal 2018. These increases were offset, in part, by a state reimbursement of previously expensed environmental clean-up costs received in fiscal 2019; a benefit in fiscal 2019 from the reversal of accruals for certain Home Owners Associations ("HOA") turnovers that were no longer required; price increases in homes delivered in California and the Mountain region; and lower interest expense in fiscal 2019 compared to fiscal 2018.

Interest cost in fiscal 2019 was $185.0 million or 2.6% of home sales revenues, as compared to $190.7 million or 2.7% of home sales revenues in fiscal 2018. We recognized inventory impairments and write-offs of $42.4 million or 0.6% of home sales revenues and $35.2 million or 0.5% of home sales revenues in fiscal 2019 and fiscal 2018, respectively.

Land Sales And Other Revenues And Land Sales And Other Cost Of Revenues

In fiscal 2019, we recognized a gain of $9.3 million from the sale of land to two newly formed Rental Property Joint Ventures in which we had interests of 25%.

Prior to the adoption of ASC 606, land sales activity was reported within "Other income – net" in our Consolidated Statements of Operations and Comprehensive Income. In fiscal 2018, we recognized land sales revenues and land sales cost of revenues of $134.3 million and $128.0 million, respectively.

Selling, General And Administrative Expenses ("Sg&A")

SG&A spending increased by $59.0 million in fiscal 2019 compared to fiscal 2018. As a percentage of home sales revenues, SG&A was 12.4% and 11.5% in fiscal 2019 and 2018, respectively. The dollar increase in SG&A was due primarily to increased compensation costs due to a higher number of employees and normal compensation increases, increased sales and marketing costs, and costs related to the implementation of new enterprise information technology systems. The higher sales and marketing costs were the result of the increased number of selling communities, increased spending on advertising, increased third-party broker commissions, and higher design studio operating costs. The increased number of employees was due primarily to the increase in the number of current and future selling communities.

Income From Unconsolidated Entities

The decrease in income from unconsolidated entities from $85.2 million in fiscal 2018 to $24.9 million in fiscal 2019, was due mainly to $67.2 million of gains recognized in fiscal 2018 from asset sales by three of our Rental Property Joint Ventures located in College Park, Maryland, Herndon, Virginia, and Westborough, Massachusetts, and an increase in losses in several Rental Property Join Ventures related to the commencement of operations and lease up activities in fiscal 2019, as compared to fiscal 2018. These decreases were offset, in part, by a $3.8 million gain recognized in fiscal 2019 from an asset sale by one of our Rental Property Joint Ventures located in Phoenixville, Pennsylvania; higher earnings from two of our Home Building Joint Ventures; and a $3.0 million decrease in impairment charges recognized in fiscal 2019 as compared to fiscal 2018.

OTHER INCOME – NET

The table below provides the components of "Other Income – net" for the years ended October 31, 2019 and 2018 (amounts in thousands):

	2019	2018
Income from ancillary businesses	$ 53,568	$ 25,692
Management fee income from home building unconsolidated entities, net	9,948	11,740
Income from land sales	—	6,331
Retained customer deposits	—	8,937
Other	17,986	9,760
Total other income–net	$ 81,502	$ 62,460

As a result of our adoption of ASC 606 on November 1, 2018, land sale activity is presented as part of income from operations where previously it was included in "Other income – net." In addition, retained customer deposits are included in "Home sales revenue" where previously they were included in "Other income – net." Fiscal 2018 is not restated. See Note 1, "Significant Accounting Policies – Recent Accounting Pronouncements" in Notes to Consolidated Financial Statements in the

Form 10-K for the year ended October 31, 2020 for additional information regarding the adoption of ASC 606.

The increase in income from ancillary businesses in fiscal 2019, as compared to fiscal 2018, was mainly due to gains recognized of $35.1 million from the sale of seven golf clubs in fiscal 2019 and lower losses incurred in our apartment living operations in fiscal 2019, as compared to fiscal 2018, partially offset by a $10.7 million gain from a bulk sale of security monitoring accounts by our home control solutions business in fiscal 2018.

Management fee income from home building unconsolidated entities presented above primarily represents fees earned by our City Living and Traditional Home Building operations. In addition, in fiscal 2019 and 2018, our apartment living operations earned fees from unconsolidated entities of $11.9 million and $7.5 million, respectively. Fees earned by our apartment living operations are included in income from ancillary businesses.

The increase in "other" in fiscal 2019 was principally due to higher interest income earned in fiscal 2019 compared to fiscal 2018, offset, in part, by $2.6 million received in fiscal 2018 from the resolution of a matter involving defective floor joists.

Income Before Income Taxes

In fiscal 2019, we reported income before income taxes of $787.2 million or 10.9% of revenues, as compared to $933.9 million, or 13.1% of revenues in fiscal 2018.

Income Tax Provision

We recognized a $197.2 million income tax provision in fiscal 2019. Based upon the federal statutory rate of 21.0% for fiscal 2019, our federal tax provision would have been $165.3 million. The difference between the tax provision recognized and the tax provision based on the federal statutory rate was mainly due to the provision for state income taxes of $37.9 million, $4.9 million of other permanent differences, and an increase in unrecognized tax benefits of $2.2 million, offset, in part, by the reversal of $5.3 million of previously accrued tax provisions on uncertain tax positions that were no longer necessary due to the expiration of the statute of limitations, a $3.1 million benefit of federal energy efficient home credits, and a benefit of $2.1 million from excess tax benefits related to stock-based compensation.

We recognized a $185.8 million income tax provision in fiscal 2018. Based upon the blended federal statutory rate of 23.3% for fiscal 2018, our federal tax provision would have been $217.9 million. The difference between the tax provision recognized and the tax provision based on the federal statutory rate was mainly due to tax law changes of $38.7 million; a benefit of $18.2 million related to the utilization of domestic production activities deductions; the reversal of $4.7 million of previously accrued tax provisions on uncertain tax positions that were no longer necessary due to the expiration of the statute of limitations and settlements with certain taxing jurisdictions; a benefit of $4.2 million from excess tax benefits related to stock-based compensation; a $3.2 million benefit of federal energy efficient home credits; and $12.0 million of permanent and other differences, which primarily relates to tax planning transactions that benefited the Company's state net operating loss carryforwards, offset, in part, by the provision for state income taxes of $47.1 million. See Note 8, "Income Taxes" in Item 15(a)1 of this Form 10-K for additional information regarding the impact of the Tax Act.

CAPITAL RESOURCES AND LIQUIDITY

Funding for our business has been, and continues to be, provided principally by cash flow from operating activities before inventory additions, unsecured bank borrowings, and the public debt markets.

Fiscal 2020

At October 31, 2020, we had $1.37 billion of cash and cash equivalents on hand and approximately $1.79 billion available for borrowing under our Revolving Credit Facility.

Cash provided by operating activities during fiscal 2020 was $1.01 billion. Cash provided by operating activities was generated primarily from $446.6 million of net income plus $24.3 million of stock-based compensation, $68.9 million of depreciation and amortization, $55.9 million of inventory impairments and write-offs, and a net deferred tax benefit of $97.8 million; a $352.9 million decrease in inventory; an increase of $71.8 million in accounts payable and accrued expenses; and an increase of $70.4 million in net customer deposits. This activity was offset, in part, by an increase of $176.3 million in receivables, prepaid assets, and other assets and an increase of $9.5 million in mortgage loans held for sale.

Cash used in investing activities during fiscal 2020 was $177.8 million, primarily related to $109.6 million for the purchase of property and equipment; $71.7 million used to fund investments in unconsolidated entities; and $60.3 million used to acquire Thrive. This activity was offset, in part, by $49.2 million of cash received as returns on our investments in unconsolidated entities, foreclosed real estate, and distressed loans and proceeds of $15.6 million of cash received from sales of a golf club property.

We used $753.3 million of cash from financing activities in fiscal 2020, primarily for the repurchase of $634.1 million of our common stock; repayments of $85.8 million of other loans payable, net of new borrowings; and payment of $56.6 million of dividends on our common stock, offset, in part, by the proceeds of $24.9 million from our stock-based benefit plans.

Fiscal 2019

At October 31, 2019, we had $1.29 billion of cash and cash equivalents on hand and approximately $1.73 billion available for borrowing under our Revolving Credit Facility.

Cash provided by operating activities during fiscal 2019 was $437.7 million. It was generated primarily from $590.0 million of net income plus $26.2 million of stock-based compensation, $72.1 million of depreciation and amortization, $42.4 million of inventory impairments and write-offs, and a net deferred tax benefit of $102.8 million; offset, in part, by a $40.2 million increase in inventory; an increase of $185.3 million in receivables, prepaid assets, and other assets; an increase of $45.6 million in mortgage loans held for sale; and a decrease of $64.5 million in accounts payable and accrued expenses.

Cash used in investing activities during fiscal 2019 was $75.9 million, primarily related to $162.4 million used to acquire Sharp and Sabal; $87.0 million for the purchase of property and equipment; and $556.6 million used to fund investments in unconsolidated entities. This activity was offset, in part, by $151.1 million of cash received as returns on our investments in unconsolidated entities, foreclosed real estate, and distressed loans and proceeds of $79.6 million of cash received from sales of golf club properties and an office building in several separate transactions with unrelated third parties.

We used $258.5 million of cash from financing activities in fiscal 2019, primarily for the repayment of $600.0 million of senior notes; the repurchase of $233.5 million of our common stock; and payment of $63.6 million of dividends on our common stock, offset, in part, by the net proceeds of $396.4 million from the issuance of $400.0 million aggregate principal amount of 3.80% Senior Notes due 2029; borrowings of $227.4 million of other loans payable, net of new repayments; and the proceeds of $17.4 million from our stock-based benefit plans.

Other

In general, our cash flow from operating activities assumes that, as each home is delivered, we will purchase a home site to replace it. Because we own a supply of several years of home sites, we do not need to buy home sites immediately to replace those that we deliver. In addition, we generally do not begin construction of our detached homes until we have a signed contract with the home buyer. Should our business decline, we believe that our inventory levels would decrease as we complete and deliver the homes under construction but do not commence construction of as many new homes, as we complete the improvements on the land we already own, and as we sell and deliver quick delivery homes that are then in inventory, resulting in additional cash flow from operations. In addition, we might delay, decrease, or curtail our acquisition of additional land, which would further reduce our inventory levels and cash needs. During fiscal 2020, in response to the economic disruption and uncertainty caused by the COVID-19 pandemic, we significantly reduced spending on new land acquisitions and land development in our second fiscal quarter. We have since resumed a more normal level of land acquisition and development spending. At October 31, 2020, we owned or controlled through options approximately 63,200 home sites, as compared to approximately 59,200 at October 31, 2019; and approximately 53,400 at October 31, 2018. Of the approximately 63,200 home sites owned or controlled through options at October 31, 2020, we owned approximately 36,100. Of our owned home sites at October 31, 2020, significant improvements were completed on approximately 16,600 of them.

At October 31, 2020, the aggregate purchase price of land parcels under option and purchase agreements was approximately $2.64 billion (including $10.1 million of land to be acquired from joint ventures in which we have invested). Of the $2.64 billion of land purchase commitments, we had paid or deposited $223.6 million and, if we acquire all of these land parcels, we will be required to pay an additional $2.42 billion. The purchases of these land parcels are scheduled over the next several years. In addition, we expect to purchase approximately 2,100 additional home sites over a number of years from several of these joint ventures. We have additional land parcels under option that have been excluded from the aforementioned aggregate purchase amounts since we do not believe that we will complete the purchase of these land parcels and no additional funds will be required from us to terminate these contracts.

During the past several years, we have made a number of investments in unconsolidated entities related to the acquisition and development of land for future home sites, the construction of luxury for-sale condominiums, and for-rent apartments. Our investment activities related to investments in, and distributions of investments from, unconsolidated entities are contained in the Consolidated Statements of Cash Flows under “Net cash (used in) provided by investing activities.” At October 31, 2020, we had investments in these entities of $430.7 million, and were committed to invest or advance up to an additional $75.0 million to these entities if they require additional funding. At October 31, 2020, we had purchase commitments to acquire land for apartment developments of approximately $111.3 million, of which we had outstanding deposits in the amount of $6.5 million. We generally intend to develop these apartment projects in joint ventures with unrelated parties in the future.

We have a $1.905 billion, unsecured, five-year revolving credit facility that was scheduled to expire on November 1, 2024. On October 31, 2020, we entered into extension letter agreements (the “Revolver Extension Agreements”) with respect to the Revolving Credit Facility. In connection with the Revolver Extension Agreements, the Company extended the maturity date of $1.85 billion of the revolving loans and commitments under the Revolving Credit Agreement from November 1, 2024 to November 1, 2025, with the remainder of the revolving loans and commitments continuing to terminate on November 1, 2024. Under the terms of the Revolving Credit Facility, our maximum leverage ratio (as defined in the credit agreement) may not exceed 1.75 to 1.00 and we are required to maintain a minimum tangible net worth (as defined in the credit agreement) of no less than approximately $2.25 billion. Under the terms of the Revolving Credit Facility, at October 31, 2020, our leverage ratio was approximately 0.49 to 1.00 and our tangible net worth was approximately $4.81 billion. Based upon the minimum tangible net worth requirement, our ability to repurchase our common stock was limited to approximately $3.18 billion as of October 31, 2020. At October 31, 2020, we had no outstanding borrowings under the Revolving Credit Facility and had outstanding letters of credit of approximately $119.0 million.

At October 31, 2020, we had an $800.0 million, five-year senior unsecured term loan facility (the “Term Loan Facility”) with a syndicate of banks. On October 31, 2020, we entered into term loan extension agreements with the banks which extended the maturity date of all $800 million of outstanding term loans under the Term Loan Facility from November 1, 2024 to November 1, 2025, with no principal payments being required before the maturity date.

In November 2020, we entered into five interest rate swap transactions to hedge $400.0 million of the Term Loan Facility through October 2025. The interest rate swaps effectively fix the interest cost on the $400.0 million at 0.369% plus the spread set forth in the pricing schedule in the Term Loan Facility, which was 1.3% as of October 31, 2020. These interest rate swaps were designated as cash flow hedges.

We believe that we will have adequate resources and sufficient access to the capital markets and external financing sources to continue to fund our current operations and meet our contractual obligations. Due to the uncertainties in the economy and for home builders in general, we cannot be certain that we will be able to replace existing financing or find sources of additional financing in the future.

INFLATION

The long-term impact of inflation on us is manifested in increased costs for land, land development, construction, and overhead. We generally enter into contracts to acquire land a significant period of time before development and sales efforts begin. Accordingly, to the extent land acquisition costs are fixed, subsequent increases or decreases in the sales prices of homes will affect our profits. Because the sales price of each of our homes is fixed at the time a buyer enters into a contract to purchase a home and because we generally contract to sell our homes before we begin construction, any inflation of costs in excess of those anticipated may result in lower gross margins. We generally attempt to minimize that effect by entering into fixed-price contracts with our subcontractors and material suppliers for specified periods of time, which generally do not exceed one year.

In general, housing demand is adversely affected by increases in interest rates and housing costs. Interest rates, the length of time that land remains in inventory, and the proportion of inventory that is financed affect our interest costs. If we are unable to raise sales prices enough to compensate for higher costs, or if mortgage interest rates increase significantly, affecting prospective buyers’ ability to adequately finance home purchases, our home sales revenues, gross margins, and net income could be adversely affected. Increases in sales prices, whether the result of inflation or demand, may affect the ability of prospective buyers to afford new homes.

CONTRACTUAL OBLIGATIONS

The following table summarizes our estimated contractual payment obligations at October 31, 2020 (amounts in millions):

	2021	2022–2023	2024–2025	Thereafter	Total
Senior notes (a)	$ 127.8	$ 1,023.9	$ 396.1	$ 1,733.4	$ 3,281.2
Loans payable (a)	136.7	128.4	148.8	874.6	1,288.5
Mortgage company loan facility (a)(b)	150.1	—	—	—	150.1
Operating lease obligations	19.9	33.7	22.5	204.5	280.6
Purchase obligations (c)	1,487.2	935.5	255.1	234.0	2,911.8
Retirement plans (d)	13.3	16.9	16.9	61.9	109.0
	$ 1,935.0	$ 2,138.4	$ 839.4	$ 3,108.4	$ 8,021.2

(a) Amounts include estimated annual interest payments until maturity of the debt. Of the amounts indicated, $2.66 billion of the senior notes, $1.15 billion of loans payable, $148.6 million of the mortgage company loan facility, and $38.4 million of accrued interest were recorded on our October 31, 2020 Consolidated Balance Sheet.

(b) In December 2020, we amended the mortgage company warehousing agreement to, among other things, extend the maturity date to January 18, 2021.

(c) Amounts represent our expected acquisition of land under purchase agreements and the estimated remaining amount of the contractual obligation for land development agreements secured by letters of credit and surety bonds. Of the total amount indicated, $19.6 million was recorded on our October 31, 2020 Consolidated Balance Sheet.

(d) Amounts represent our obligations under our deferred compensation plan, supplemental executive retirement plans and our 401(k) salary deferral savings plans. Of the total amount indicated, $89.9 million was recorded on our October 31, 2020 Consolidated Balance Sheet.

SUPPLEMENTAL GUARANTOR INFORMATION

At October 31, 2020, our 100%-owned subsidiary, Toll Brothers Finance Corp. (the "Subsidiary Issuer"), had issued and outstanding $2.66 billion aggregate principal amount of senior notes maturing on various dates between February 15, 2022 and November 1, 2029 (the "Senior Notes"). For further information regarding the Senior Notes, see Note 6 to our Consolidated Financial Statements under the caption "Senior Notes."

The obligations of the Subsidiary Issuer to pay principal, premiums, if any, and interest are guaranteed jointly and severally on a senior basis by us and substantially all of our 100%-owned home building subsidiaries (the "Guarantor Subsidiaries" and, together with us, the "Guarantors"). The guarantees are full and unconditional, and the Subsidiary Issuer and each of the Guarantor Subsidiaries are consolidated subsidiaries of Toll Brothers, Inc. Our non-home building subsidiaries and several of our home building subsidiaries (together, the "Non-Guarantor Subsidiaries") do not guarantee the Senior Notes. The Subsidiary Issuer generates no operating revenues and does not have any independent operations other than the financing of our other subsidiaries by lending the proceeds of its public debt offerings, including the Senior Notes. Our home building operations are conducted almost entirely through the Guarantor Subsidiaries. Accordingly, the Subsidiary Issuer's cash flow and ability to service the Senior Notes is dependent upon the earnings of the Company's subsidiaries and the distribution of those earnings to the Subsidiary Issuer, whether by dividends, loans or otherwise. Holders of the Senior Notes have a direct claim only against the Subsidiary Issuer and the Guarantors. The obligations of the Guarantors under their guarantees will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference or similar laws affecting the rights of creditors generally) under applicable law.

The indentures under which the Senior Notes were issued provide that any of our subsidiaries that provide a guarantee of our obligations under the Revolving Credit Facility will guarantee the Senior Notes. The indentures further provide that any Guarantor Subsidiary may be released from its guarantee so long as (i) no default or event of default exists or would result from release of such guarantee; (ii) the Guarantor Subsidiary being released has consolidated net worth of less than 5% of the Company's consolidated net worth as of the end of our most recent fiscal quarter; (iii) the Guarantor Subsidiaries released from their guarantees in any fiscal year comprise in the aggregate less than 10% (or 15% if and to the extent necessary to permit the cure of a default) of our consolidated net worth as of the end of our most recent fiscal quarter; (iv) such release would not have a material adverse effect on ours and our subsidiaries' home building business; and (v) the Guarantor Subsidiary is released from its guaranty under the Revolving Credit Facility. If there are no guarantors under the Revolving Credit Facility, all Guarantor Subsidiaries under the indentures will be released from their guarantees.

In March 2020, the SEC adopted amendments to Rule 3-10 of Regulation S-X, under Rule Release No. 33-10762, Financial Disclosures about Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant's Securities ("Rule 33-10762"), that reduce and simplify the financial disclosure requirements applicable to SEC-registered debt offerings for guarantors and issuers of guaranteed debt securities (which we previously included within the notes to our consolidated financial statements in our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q). While amendments under Rule 33-10762 are effective January 4, 2021, voluntary compliance is permitted in advance of the effective date, and we have adopted the new disclosure requirements for the period ending October 31, 2020.

The following summarized financial information is presented for Toll Brothers, Inc., the Subsidiary Issuer, and the Guarantor Subsidiaries on a combined basis after intercompany transactions and balances have been eliminated among Toll Brothers, Inc., the Subsidiary Issuer and the Guarantor Subsidiaries, as well as their investment in, and equity in earnings from the Non-Guarantor Subsidiaries.

Summarized Balance Sheet Data (amounts in millions)

		October 31, 2020
Assets		
Cash	$	1,235.3
Inventory	$	7,596.9
Amount due from Nonguarantor Subsidiaries	$	671.1
Total assets	$	10,193.6
Liabilities & Stockholders' Equity		
Loans payable	$	1,110.3
Senior notes	$	2,661.7
Total liabilities	$	5,575.0
Stockholders' equity	$	4,618.6

Summarized Statement of Operations Data (amounts in millions)

		For the year ended October 31, 2020
Revenues	$	6,962.1
Cost of revenues	$	5,554.2
Selling, general and administrative	$	863.8
Income before income taxes	$	571.9
Net income	$	435.2

SEGMENTS

We operate in two segments: Traditional Home Building and City Living, our urban development division. Within Traditional Home Building, we operate in five geographic segments around the United States. In the first quarter of fiscal 2020, we made certain changes to our Traditional Home Building regional management structure and realigned certain of the states falling among our five geographic segments, as follows:

EASTERN REGION:

NORTH:	Connecticut, Delaware, Illinois, Massachusetts, Michigan, Pennsylvania, New Jersey and New York
MID-ATLANTIC:	Georgia, Maryland, North Carolina, Tennessee and Virginia
SOUTH:	Florida, South Carolina and Texas

WESTERN REGION:

MOUNTAIN:	Arizona, Colorado, Idaho, Nevada and Utah
PACIFIC:	California, Oregon and Washington

Previously, our geographic segments were:

NORTH:	Connecticut, Illinois, Massachusetts, Michigan, New Jersey and New York
MID-ATLANTIC:	Delaware, Maryland, Pennsylvania, and Virginia
SOUTH:	Florida, Georgia, North Carolina, South Carolina and Texas
WEST:	Arizona, Colorado, Idaho, Nevada, Oregon, Utah and Washington
CALIFORNIA:	California

Our new geographic reporting segments are consistent with how our chief operating decision makers are assessing operating performance and allocating capital following the realignment of the regional management structure. The realignment did not have any impact on our consolidated financial position, results of operations, earnings per share or cash flows. Prior period segment information was restated to conform to the new reporting structure.

The following tables summarize information related to revenues, net contracts signed, and income (loss) before income taxes by segment for fiscal years 2020, 2019, and 2018. Information related to backlog and assets by segment at October 31, 2020 and 2019, has also been provided.

Units Delivered and Revenues:

	Fiscal 2020 Compared to Fiscal 2019								
	Revenues ($ in millions)			Units Delivered			Average Delivered Price ($ in thousands)		
	2020	2019	% Change	2020	2019	% Change	2020	2019	% Change
Traditional Home Building:		(Restated)			(Restated)			(Restated)	
North	$ 1,364.8	$ 1,484.4	(8)%	2,010	2,223	(10)%	$ 679.0	$ 667.7	2%
Mid-Atlantic	845.6	804.4	5%	1,271	1,237	3%	665.3	650.3	2%
South	1,041.2	991.9	5%	1,566	1,298	21%	664.9	764.2	(13)%
Mountain	1,535.8	1,130.9	36%	2,219	1,711	30%	692.1	661.0	5%
Pacific	2,029.9	2,416.6	(16)%	1,334	1,434	(7)%	1,521.7	1,685.2	(10)%
Traditional Home Building	6,817.3	6,828.2	—%	8,400	7,903	6%	811.6	864.0	(6)%
City Living	120.9	253.2	(52)%	96	204	(53)%	1,259.4	1,241.1	1%
Other	(0.8)	(1.0)							
Total home sales revenue	$ 6,937.4	$ 7,080.4	(2)%	8,496	8,107	5%	$ 816.5	$ 873.4	(7)%
Land sales revenue	140.3	143.6							
Total revenue	$ 7,077.7	$ 7,224.0							

Units Delivered and Revenues:

	Fiscal 2019 Compared to Fiscal 2018								
	Revenues ($ in millions)			Units Delivered			Average Delivered Price ($ in thousands)		
	2019	2018	% Change	2019	2018	% Change	2019	2018	% Change
Traditional Home Building:	(Restated)	(Restated)		(Restated)	(Restated)		(Restated)	(Restated)	
North	$ 1,484.4	$ 1,517.9	(2)%	$ 2,223	2,259	(2)%	$ 667.7	$ 671.9	(1)%
Mid-Atlantic	804.4	775.7	4%	1,237	1,271	(3)%	650.3	610.3	7%
South	991.9	868.6	14%	1,298	1,114	17%	764.2	779.7	(2)%
Mountain	1,130.9	1,126.6	—%	1,711	1,797	(5)%	661.0	626.9	5%
Pacific	2,416.6	2,533.5	(5)%	1,434	1,655	(13)%	1,685.2	1,530.8	10%
Traditional Home Building	6,828.2	6,822.3	—%	7,903	8,096	(2)%	864.0	842.7	3%
City Living	253.2	321.0	(21)%	204	169	21%	1,241.1	1,899.4	(35)%
Other	(1.0)								
Total home sales revenue	$ 7,080.4	$ 7,143.3	(1)%	8,107	8,265	(2)%	$ 873.4	$ 864.3	1%
Land sales revenue	143.6								
Total revenue	$ 7,224.0	$ 7,143.3							

Net Contracts Signed:

	Fiscal 2020 Compared to Fiscal 2019								
	Net Contract Value ($ in millions)			Net Contracted Units			Average Contracted Price ($ in thousands)		
	2020	2019	% Change	2020	2019	% Change	2020	2019	% Change
Traditional Home Building:		(Restated)			(Restated)			(Restated)	
North	$ 1,552.4	$ 1,511.7	3%	2,174	2,267	(4)%	$ 714.1	$ 666.8	7%
Mid-Atlantic	1,075.3	772.5	39%	1,473	1,159	27%	730.0	666.5	10%
South	1,320.1	941.0	40%	2,006	1,307	53%	658.1	720.0	(9)%
Mountain	2,008.2	1,456.2	38%	2,802	2,097	34%	716.7	694.4	3%
Pacific	1,929.6	1,804.8	7%	1,404	1,095	28%	1,374.4	1,648.2	(17)%
Traditional Home Building	7,885.6	6,486.2	22%	9,859	7,925	24%	799.8	818.4	(2)%
City Living	109.5	224.7	(51)%	73	150	(51)%	1,500.0	1,498.0	—%
Total	$ 7,995.1	$ 6,710.9	19%	9,932	8,075	23%	$ 805.0	$ 831.1	(3)%

Net Contracts Signed:

	Fiscal 2019 Compared to Fiscal 2018								
	Net Contract Value ($ in millions)			Net Contracted Units			Average Contracted Price ($ in thousands)		
	2019	2018	% Change	2019	2018	% Change	2019	2018	% Change
Traditional Home Building:	(Restated)	(Restated)		(Restated)	(Restated)		(Restated)	(Restated)	
North	$ 1,511.7	$ 1,511.3	—%	2,267	2,247	1%	$ 666.8	$ 672.6	(1)%
Mid-Atlantic	772.5	759.5	2%	1,159	1,176	(1)%	666.5	645.8	3%
South	941.0	948.3	(1)%	1,307	1,212	8%	720.0	782.4	(8)%
Mountain	1,456.2	1,229.6	18%	2,097	1,871	12%	694.4	657.2	6%
Pacific	1,804.8	2,877.8	(37)%	1,095	1,830	(40)%	1,648.2	1,572.6	5%
Traditional Home Building	6,486.2	7,326.5	(11)%	7,925	8,336	(5)%	818.4	878.9	(7)%
City Living	224.7	277.8	(19)%	150	183	(18)%	1,498.0	1,518.0	(1)%
Total	$ 6,710.9	$ 7,604.3	(12)%	8,075	8,519	(5)%	$ 831.1	$ 892.6	(7)%

Backlog at October 31:

	October 31, 2020 Compared to October 31, 2019								
	Backlog Value ($ in millions)			Backlog Units			Average Backlog Price ($ in thousands)		
	2020	2019	% Change	2020	2019	% Change	2020	2019	% Change
Traditional Home Building:		(Restated)			(Restated)			(Restated)	
North	$ 1,369.1	$ 1,179.6	16%	1,906	1,742	9%	$ 718.3	$ 677.2	6%
Mid-Atlantic	770.4	535.3	44%	990	784	26%	778.2	682.7	14%
South	1,038.4	757.3	37%	1,488	1,048	42%	697.9	722.6	(3)%
Mountain	1,670.7	1,150.9	45%	2,274	1,606	42%	734.7	716.6	3%
Pacific	1,387.1	1,484.4	(7)%	1,044	974	7%	1,328.6	1,524.0	(13)%
Traditional Home Building	6,235.7	5,107.5	22%	7,702	6,154	25%	809.6	829.9	(2)%
City Living	138.9	149.6	(7)%	89	112	(21)%	1,560.3	1,335.6	17%
Total	$ 6,374.6	$ 5,257.1	21%	7,791	6,266	24%	$ 818.2	$ 839.0	(2)%

Backlog at October 31:

	October 31, 2019 Compared to October 31, 2018								
	Backlog Value ($ in millions)			Backlog Units			Average Backlog Price ($ in thousands)		
	2019	2018	% Change	2019	2018	% Change	2019	2018	% Change
Traditional Home Building:	(Restated)	(Restated)		(Restated)	(Restated)		(Restated)	(Restated)	
North	$ 1,179.6	$ 1,150.1	3%	1,742	1,698	3%	$ 677.2	$ 677.3	—%
Mid-Atlantic	535.3	500.1	7%	784	737	6%	682.7	678.6	1%
South	757.3	780.3	(3)%	1,048	971	8%	722.6	803.6	(10)%
Mountain	1,150.9	823.8	40%	1,606	1,220	32%	716.6	675.3	6%
Pacific	1,484.4	2,090.6	(29)%	974	1,313	(26)%	1,524.0	1,592.2	(4)%
Traditional Home Building	5,107.5	5,344.9	(4)%	6,154	5,939	4%	829.9	900.0	(8)%
City Living	149.6	177.6	(16)%	112	166	(33)%	1,335.6	1,069.7	25%
Total	$ 5,257.1	$ 5,522.5	(5)%	6,266	6,105	3%	$ 839.0	$ 904.6	(7)%

Income (Loss) Before Income Taxes ($ amounts in millions):

	2020	2019 (Restated)	% Change 2020 vs. 2019	2018 (Restated)	% Change 2019 vs. 2018
Traditional Home Building:					
North	$ 57.8	$ 81.4	(29)%	$ 98.2	(17)%
Mid-Atlantic	50.6	50.7	—%	59.3	(15)%
South	108.4	106.1	2%	99.9	6%
Mountain	167.7	113.0	48%	136.2	(17)%
Pacific	352.8	509.8	(31)%	571.4	(11)%
Traditional Home Building	737.3	861.0	(14)%	965.0	(11)%
City Living	29.7	70.1	(58)%	78.1	(10)%
Corporate and other	(180.1)	(143.9)	(25)%	(109.2)	(32)%
Total	$ 586.9	$ 787.2	(25)%	$ 933.9	(16)%

"Corporate and other" is comprised principally of general corporate expenses such as our executive officers; the corporate finance, accounting, audit, tax, human resources, risk management, information technology, marketing, and legal groups; interest income; income from certain of our ancillary businesses, including Gibraltar; and income from our Rental Property Joint Ventures and Gibraltar Joint Ventures.

Total Assets ($ amounts in millions):

	At October 31, 2020	At October 31, 2019 (Restated)
Traditional Home Building:		
North	$ 1,427.5	$ 1,487.0
Mid-Atlantic	918.6	854.5
South	1,177.0	1,166.0
Mountain	1,961.3	1,769.6
Pacific	2,226.7	2,627.4
Traditional Home Building	7,711.1	7,904.5
City Living	539.8	529.5
Corporate and other	2,814.8	2,394.1
Total	$ 11,065.7	$ 10,828.1

"Corporate and other" is comprised principally of cash and cash equivalents, restricted cash, income taxes receivable, investments in properties held for rental apartments, expected recoveries from insurance carriers and suppliers, our Gibraltar investments and operations, manufacturing facilities, and our mortgage and title subsidiaries.

FISCAL 2020 COMPARED TO FISCAL 2019 (RESTATED)

Traditional Home Building

NORTH

	Year ended October 31, 2019	Year ended October 31, 2019	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues ($ in millions)	$ 1,364.8	$ 1,484.4	(8)%
Units delivered	2,010	2,223	(10)%
Average delivered price ($ in thousands)	$ 679.0	$ 667.7	2%
Net Contracts Signed:			
Net contract value ($ in millions)	$ 1,552.4	$ 1,511.7	3%
Net contracted units	2,174	2,267	(4)%
Average contracted price ($ in thousands)	$ 714.1	$ 666.8	7%
Home sales cost of revenues as a percentage of home sales revenues	86.3%	84.9%	
Income before income taxes ($ in millions)	$ 57.8	$ 81.4	(29)%
Number of selling communities at October 31,	70	86	(19)%

The decrease in the number of homes delivered in fiscal 2020 was mainly due to lower backlog conversion, which reflected difficulties in delivering homes following the institution of COVID-19 related government restrictions in many markets in the North region, and a decrease in the number of homes sold and settled in fiscal 2020, as compared to fiscal 2019. The increase in the average price of homes delivered in fiscal 2020 was due primarily to a shift in the number of homes delivered to more expensive areas and/or products in fiscal 2020, as compared to fiscal 2019.

The decrease in the number of net contracts signed in fiscal 2020, as compared to fiscal 2019, was principally due to a decrease in the average number of selling communities, offset, in part, by an increase in demand in fiscal 2020, as compared to fiscal 2019. The increase in the average value of each contract signed in fiscal 2020, as compared to fiscal 2019, was mainly due to shifts in the number of contracts signed to more expensive areas and/or products and price increases.

The decrease in income before income taxes in fiscal 2020 was principally attributable to higher home sales cost of revenues, as a percentage of home sale revenues and lower earnings from decreased home sales revenues. The increase in home sales cost of revenues, as a percentage of home sales revenues, in fiscal 2020, as compared to fiscal 2019, was primarily due to higher land, land development, and material and labor costs; higher impairment charges; and a shift in product mix/areas to lower-margin areas.

Inventory impairment charges were $28.4 million in fiscal 2020, as compared to $25.5 million in fiscal 2019. In the fourth quarter of fiscal 2020, we changed our strategy with respect to our land in the Delaware beach markets and the Chicago market. As a result, the carrying values of our land and communities were written down to their estimated fair values, which resulted in a charge to income before income taxes of $18.0 million in fiscal 2020. In addition, in the fourth quarter of fiscal 2020, due to a loss in lot density at one community located in New Jersey, the carrying value was written down to its estimated fair value, which resulted in a charge to income of $6.4 million.

MID-ATLANTIC

	Year ended October 31,		
	2020	2019	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues ($ in millions)	$ 845.6	$ 804.4	5%
Units delivered	1,271	1,237	3%
Average delivered price ($ in thousands)	$ 665.3	$ 650.3	2%
Net Contracts Signed:			
Net contract value ($ in millions)	$ 1,075.3	$ 772.5	39%
Net contracted units	1,473	1,159	27%
Average contracted price ($ in thousands)	$ 730.0	$ 666.5	10%
Home sales cost of revenues as a percentage of home sales revenues	83.6%	83.4%	
Income (loss) before income taxes ($ in millions)	$ 50.6	$ 50.7	—%
Number of selling communities at October 31,	39	41	(5)%

The increase in the number of homes delivered in fiscal 2020, as compared to fiscal 2019, was mainly due to the delivery of homes in metropolitan Atlanta, Georgia from the Sharp acquisition, offset, in part, by fewer homes in backlog at October 31, 2019 (excluding Sharp homes), as well as production delays stemming from COVID-19 and related government restrictions. The increase in the average price of homes delivered in fiscal 2020, as compared to fiscal 2019, was primarily due a shift in the number of homes delivered to more expensive areas and/or products in Virginia partially offset by an increase in the number of homes delivered in Georgia, where average prices were significantly lower than the average in the Mid-Atlantic region.

The increase in the number of net contracts signed in fiscal 2020, as compared to fiscal 2019, was principally due to an increase in contracts resulting from the Sharp and Thrive acquisitions, and an increase in demand offset, in part, by a decrease in the average number of selling communities in Maryland. The increase in the average value of each contract signed in fiscal 2020, as compared to fiscal 2019, were mainly due to shifts in the number of contracts signed to more expensive areas and/or products primarily in North Carolina, Maryland and Virginia, and price increases in fiscal 2020, offset, in part by an increase in contracts signed in Georgia.

The decrease in income before income taxes in fiscal 2020, as compared to fiscal 2019, was mainly due to higher impairment charges partially offset by other lower home sales costs of revenues, as a percentage of home sale revenues, and higher earnings on increased home sales revenues, in fiscal 2020. The decrease in home sales costs of revenues (other than inventory impairments), as a percentage of home sale revenues, in fiscal 2020 was primarily due to a shift in product mix/areas to higher margin areas.

Inventory impairment charges were $17.9 million and $1.5 million in fiscal 2020 and 2019, respectively. In our second quarter of fiscal 2020, following the onset of the COVID-19 pandemic, we terminated a land purchase agreement in Virginia and wrote-off the deposits and soft costs incurred. In addition, in the three months ended July 31, 2020, we decided to sell the remaining lots in one community located in Maryland in a bulk sale rather than sell and construct homes. As a result, we wrote down the carrying value of inventory in this community to its estimated fair value. These actions resulted in impairment charges of $13.5 million in fiscal 2020.

SOUTH

	Year ended October 31,		
	2020	2019	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues ($ in millions)	$ 1,041.2	$ 991.9	5%
Units delivered	1,566	1,298	21%
Average delivered price ($ in thousands)	$ 664.9	$ 764.2	(13)%
Net Contracts Signed:			
Net contract value ($ in millions)	$ 1,320.1	$ 941.0	40%
Net contracted units	2,006	1,307	53%
Average contracted price ($ in thousands)	$ 658.1	$ 720.0	(9)%
Home sales cost of revenues as a percentage of home sales revenues	79.9%	81.1%	
Income before income taxes ($ in millions)	$ 108.4	$ 106.1	2%
Number of selling communities at October 31,	67	72	(7)%

The increase in the number of homes delivered in fiscal 2020, as compared to fiscal 2019, was mainly due to the delivery of homes in several markets in South Carolina from the Sabal acquisition and an increase in homes sold and settled in fiscal 2020, as compared to fiscal 2019. The decrease in the average price of homes delivered in fiscal 2020, as compared to fiscal 2019, was primarily due to a shift in the number of homes delivered to less expensive areas and/or products mainly due to homes delivered in South Carolina, where average prices were significantly lower than the average of the South region.

The increase in the number of net contracts signed in fiscal 2020, as compared to fiscal 2019, was mainly due to net contracts we signed in several markets in South Carolina due to the Sabal acquisition and an increase in demand. The decrease in the average value of each contract signed was mainly due to contracts signed in South Carolina resulting from the Sabal acquisition, where average prices are significantly lower than the regional average, and to shifts in the number of contracts signed to less expensive areas and/or products primarily in Florida and Texas, offset, in part, by price increases.

The increase in income before income taxes in fiscal 2020, as compared to fiscal 2019, was principally due to higher earnings from increased home sales revenues and lower home sales costs of revenues, as a percentage of home sales revenues, offset, in part, by lower joint venture and management fee income from one Home Building Joint Venture that delivered its last home in the third quarter of fiscal 2019. The decrease in home sales cost of revenues, as a percentage of home sales revenues, was mainly due to a shift in product mix/areas to higher-margin areas and lower inventory impairment changes in fiscal 2020, as compared to fiscal 2019. Inventory impairment charges were $2.9 million and $8.5 million in fiscal 2020 and 2019, respectively.

MOUNTAIN

	Year ended October 31, 2020	2019	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues ($ in millions)	$ 1,535.8	$ 1,130.9	36%
Units delivered	2,219	1,711	30%
Average delivered price ($ in thousands)	$ 692.1	$ 661.0	5%
Net Contracts Signed:			
Net contract value ($ in millions)	$ 2,008.2	$ 1,456.2	38%
Net contracted units	2,802	2,097	34%
Average contracted price ($ in thousands)	$ 716.7	$ 694.4	3%
Home sales cost of revenues as a percentage of home sales revenues	79.2%	78.9%	
Income before income taxes ($ in millions)	$ 167.7	$ 113.0	48%
Number of selling communities at October 31,	94	79	19%

The increase in the number of homes delivered in fiscal 2020, as compared to fiscal 2019, was mainly due to an increase in the number of homes in backlog at October 31, 2019, as compared to the number of homes in backlog at October 31, 2018, and an increase in the number of homes sold and settled in fiscal 2020. The increase in the average price of homes delivered in fiscal 2020, as compared to fiscal 2019, was primarily due to an increase in the number of homes settled in Arizona, Nevada and Utah, where average prices were higher than the regional average. This increase was partially offset by an increase in the number of home delivered in Idaho, where average prices were significantly lower than the regional average.

The increase in the number of net contracts signed in fiscal 2020, as compared to fiscal 2019, was principally due to increased demand and an increase in the average number of selling communities. The increases in the average value of each contract signed in fiscal 2020, as compared to fiscal 2019, was mainly due to shifts in the number of contracts signed to more expensive areas and/or products and price increases.

The increase in income before income taxes in fiscal 2020, as compared to fiscal 2019, was mainly due to higher earnings from increased revenues offset, in part, by higher home sales cost of revenues, as a percentage of home sales revenues. The increase in home sales cost of revenues, as a percentage of home sales revenues, was primarily due to a shift in product mix/areas to lower-margin areas.

PACIFIC

	Year ended October 31, 2020	2019	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues ($ in millions)	$ 2,029.9	$ 2,416.6	(16)%
Units delivered	1,334	1,434	(7)%
Average delivered price ($ in thousands)	$ 1,521.7	$ 1,685.2	(10)%
Net Contracts Signed:			
Net contract value ($ in millions)	$ 1,929.6	$ 1,804.8	7%
Net contracted units	1,404	1,095	28%
Average contracted price ($ in thousands)	$ 1,374.4	$ 1,648.2	(17)%
Home sales cost of revenues as a percentage of home sales revenues	75.2%	71.7%	
Income before income taxes ($ in millions)	$ 352.8	$ 509.8	(31)%
Number of selling communities at October 31,	44	51	(14)%

The decrease in the number of homes delivered in fiscal 2020, as compared to fiscal 2019, was mainly due to the decreased number of homes in backlog at October 31, 2019, as compared to the number of homes in backlog at October 31, 2018, offset, in part, by higher backlog conversion. The decrease in the average price of homes delivered in fiscal 2020 was primarily due to a shift in the number of homes delivered to less expensive areas.

The increase in the number of net contracts signed in fiscal 2020, as compared to fiscal 2019, was principally due to an increase in demand, offset, in part, by a decrease in the number of selling communities. The decrease in the average value of each contract signed in fiscal 2020 was mainly due to a shift in the number of contracts signed to less expensive areas and/or products partially offset by price increases.

The decrease in income before income taxes in fiscal 2020, as compared to fiscal 2019, was primarily due to lower earnings from decreased revenues and higher home sales cost of revenues, as a percentage of home sales revenues. The increase in home sales cost of revenues, as a percentage of home sales revenues, was primarily due to cost overruns at a large high-density condominium community in Northern California, higher incentives associated with the prior year selling environment, higher impairment charges, and a shift in product mix/areas to lower-margin areas. Inventory impairment charges were $6.0 million and $1.1 million in fiscal 2020 and 2019, respectively. The fiscal 2020 impairment charge relates primarily to a land purchase agreement where we no longer expect to purchase the land and, accordingly, wrote-off soft costs incurred.

CITY LIVING

	Year ended October 31,		
	2020	2019	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues ($ in millions)	$ 120.9	$ 253.2	(52)%
Units delivered	96	204	(53)%
Average delivered price ($ in thousands)	$ 1,259.4	$ 1,241.1	1%
Net Contracts Signed:			
Net contract value ($ in millions)	$ 109.5	$ 224.7	(51)%
Net contracted units	73	150	(51)%
Average contracted price ($ in thousands)	$ 1,500.0	$ 1,498.0	—%
Home sales cost of revenues as a percentage of home sales revenues	61.7%	67.8%	
Income before income taxes ($ in millions)	$ 29.7	$ 70.1	(58)%
Number of selling communities at October 31,	3	4	(25)%

The decrease in the number of homes delivered in fiscal 2020, as compared to fiscal 2019, was mainly attributable to the decreased number of homes in backlog at October 31, 2019, as compared to the number of homes in backlog at October 31, 2018, and the impacts of the COVID-19 pandemic, in particular in New York City and northern New Jersey. The increase in the average price of homes delivered in fiscal 2020, as compared to fiscal 2019, was primarily due to a shift in the number of homes delivered to more expensive areas and/or products.

The decrease in the number of net contracts signed in fiscal 2020, as compared to fiscal 2019, was primarily due to a significant decrease in demand following the onset of the COVID-19 pandemic, offset, in part, by increased demand prior to its onset.

The decrease in income before income taxes in fiscal 2020, as compared to fiscal 2019, was mainly due to lower earnings from decreased revenues and decreases in earnings from our investments in unconsolidated entities. This decrease was partially offset by lower home sales cost of revenues, as a percentage of home sale revenues. The lower home sales cost of revenues, as a percentage of home sale revenues, in fiscal 2020 was principally due to a shift in the number of homes delivered to buildings with higher margins, an impairment charge of $4.8 million in fiscal 2019, and the reversal of an accrual related to a litigation matter that was no longer needed. This decrease was offset, in part, by a state reimbursement of $6.5 million of previously expensed environmental cleanup costs received in fiscal 2019.

In fiscal 2020, earnings from our investments in unconsolidated entities in City Living decreased $11.8 million as compared to fiscal 2019. This decrease was primarily due to $6.0 million of other than temporary impairment charges that we recognized on one of our Home Building Joint Ventures in fiscal 2020. In addition, fiscal 2019 benefited from earnings from one joint venture that delivered its last home in the third quarter of fiscal 2019. The tables below provide information related to deliveries, revenues, and net contracts signed by our City Living Home Building Joint Ventures, for the periods indicated, and the related backlog for the dates indicated ($ amounts in millions):

	Year ended October 31,			
	2020 Units	2019 Units	2020 $	2019 $
Deliveries and home sales revenues	44	147	$ 139.6	$ 330.8
Net contracts signed	22	39	$ 73.3	$ 128.1

	At October 31,			
	2020 Units	2019 Units	2020 $	2019 $
Backlog	4	26	$ 10.0	$ 76.3

CORPORATE AND OTHER

In fiscal 2020 and 2019, loss before income taxes was $180.1 million and $143.9 million, respectively. The increase in the loss before income taxes in fiscal 2020 was principally attributable to lower interest income; higher losses incurred in our apartment living operations; lower income from golf club operations; losses recognized by a joint venture that owns a hotel that was adversely impacted by COVID-19; an increase in losses in several Rental Property Joint Ventures related to the commencement of operations and lease up activities; and directly expensed interest of $2.4 million in the fiscal 2020 period. In addition, during the fiscal 2019 period, we recognized gains of $35.1 million from the sale of seven golf clubs; $9.3 million from the sale of land to a newly formed Rental Property Joint Venture; and $3.8 million from an asset sale by one of our Rental Property Joint Ventures. These increases were partially offset by gains recognized in fiscal 2020 of $13.0 million from the sale of golf club properties and $10.7 million from the sale of our investment in one of our Rental Property Joint Ventures to our joint venture partner; higher earnings by our mortgage company operations primarily due to an increase in volumes in fiscal 2020; and lower SG&A costs. The lower SG&A costs were due primarily to the implementation of a number of cost reduction initiatives to improve efficiencies and rationalize overhead expenses, including workforce reductions, that we implemented following the onset of the COVID-19 pandemic, including the reversal of an $8.0 million accrual in fiscal 2020 for discretionary benefit plan contributions with respect to fiscal 2019. The decrease in SG&A spending in fiscal 2020 was offset, in part, by a $7.5 million charge for severance costs incurred in the second quarter of fiscal 2020, other compensation increases, and costs related to the implementation of new enterprise information technology systems.

FISCAL 2019 (RESTATED) COMPARED TO FISCAL 2018 (RESTATED)

Traditional Home Building

NORTH

	Year ended October 31, 2019	2018	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues ($ in millions)	$ 1,484.4	$ 1,517.9	(2)%
Units delivered	2,223	2,259	(2)%
Average delivered price ($ in thousands)	$ 667.7	$ 671.9	(1)%
Net Contracts Signed:			
Net contract value ($ in millions)	$ 1,511.7	$ 1,511.3	—%
Net contracted units	2,267	2,247	1%
Average contracted price ($ in thousands)	$ 666.8	$ 672.6	(1)%
Home sales cost of revenues as a percentage of home sales revenues	84.9%	85.0%	
Income before income taxes ($ in millions)	$ 81.4	$ 98.2	(17)%
Number of selling communities at October 31,	86	92	(7)%

The decrease in the number of homes delivered in fiscal 2019 was mainly due to a decrease in the number of homes in backlog at October 31, 2018, as compared to the number of homes in backlog at October 31, 2017 and lower backlog conversion in fiscal 2019, as compared to fiscal 2018. The decrease in the average price of homes delivered in fiscal 2019 was due primarily to a shift in the number of homes delivered to less expensive areas and/or products in fiscal 2019.

The increase in the number of net contracts signed in fiscal 2019, as compared to fiscal 2018, was principally due to an increase in demand in fiscal 2019.

The decrease in income before income taxes in fiscal 2019 was principally attributable to lower earnings from decreased home sales revenues, higher SG&A costs, and higher inventory impairment charges.

Inventory impairment charges were $25.5 million in fiscal 2019, as compared to $20.7 million in fiscal 2018. During fiscal 2019, we determined that the pricing assumptions used in prior impairment reviews for one operating community located in Illinois and two operating communities located in Pennsylvania needed to be reduced primarily because weaker-than-expected market conditions drove a lack of improvement and/or a decrease in customer demand for homes in these communities. As a result of the reduction in expected sales prices, we determined that these communities were impaired. Accordingly, the carrying values were written down to their estimated fair values, which resulted in a charge to income before income taxes of $14.6 million. In addition, with respect to two communities located in Illinois, we decided to sell their remaining lots in bulk sales rather than sell and construct homes. As a result, the carrying values of these communities were written down to their estimated fair values, which resulted in a charge to income before income taxes of $4.9 million in fiscal 2019.

During fiscal 2018, we determined that the pricing assumptions used in prior impairment reviews for one operating community located in Connecticut needed to be reduced, primarily due to a lack of improvement and/or a decrease in customer demand as a result of weaker than expected market conditions. As a result of the reduction in expected sales prices, we determined that this community was impaired. Accordingly, its carrying value was written down to its estimated fair value, which resulted in a charge to income before income taxes of $12.0 million. In addition, with respect to two communities located in Illinois and Minnesota, we decided to sell their remaining lots in bulk sales rather than sell and construct homes. As a result, the carrying values of these communities were written down to their estimated fair values, which resulted in a charge to income before income taxes of $4.4 million in fiscal 2018.

MID-ATLANTIC

	Year ended October 31, 2019	2018	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues ($ in millions)	$ 804.4	$ 775.7	4%
Units delivered	1,237	1,271	(3)%
Average delivered price ($ in thousands)	$ 650.3	$ 610.3	7%
Net Contracts Signed:			
Net contract value ($ in millions)	$ 772.5	$ 759.5	2%
Net contracted units	1,159	1,176	(1)%
Average contracted price ($ in thousands)	$ 666.5	$ 645.8	3%
Home sales cost of revenues as a percentage of home sales revenues	83.4%	82.2%	
Income (loss) before income taxes ($ in millions)	$ 50.7	$ 59.3	(15)%
Number of selling communities at October 31,	41	43	(5)%

The decrease in the number of homes delivered in fiscal 2019 was mainly due to a decrease in the number of homes in backlog at October 31, 2018, as compared to the number of homes in backlog at October 31, 2017 and lower backlog conversion in fiscal 2019. This decrease was partially offset by the delivery of 114 homes in metropolitan Atlanta, Georgia from the Sharp acquisition. The increase in the average price of homes delivered in fiscal 2019 was primarily due to a shift in the number of homes delivered to more expensive areas and/or products in fiscal 2019.

The decrease in the number of net contracts signed in fiscal 2019 was principally due to a decrease in the average number of selling communities in fiscal 2019 offset, in part, by contracts we signed in the metropolitan Atlanta, Georgia market in fiscal 2019. The increase in the average value of each contract signed in fiscal 2019 was mainly due to shifts in the number of contracts signed to more expensive areas and/or products in fiscal 2019.

The decrease in income before income taxes in fiscal 2019 was mainly due to increases in home sales costs of revenues, as a percentage of home sale revenues and increases in SG&A costs in fiscal 2019. This decrease was partially offset by higher earnings on increased home sales revenues in fiscal 2019 and a $4.0 million impairment charge recognized in fiscal 2018 related to one Land Development

Joint Venture located in Maryland. The increase in home sales costs of revenues, as a percentage of home sale revenues, in fiscal 2019 was primarily due to higher material and labor costs in fiscal 2019.

Inventory impairment charges were $1.5 million and $11.8 million in fiscal 2019 and 2018, respectively. In fiscal 2018, we decided to sell a portion of the lots in a bulk sale in one community located in Maryland, primarily due to increases in site costs and a lack of improvement in customer demand as a result of weaker than expected market conditions. The carrying value of this community was written down to its estimated fair value resulting in a charge to income before income taxes in fiscal 2018 of $6.7 million.

SOUTH

	Year ended October 31,		
	2019	2018	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues ($ in millions)	$ 991.9	$ 868.6	14%
Units delivered	1,298	1,114	17%
Average delivered price ($ in thousands)	$ 764.2	$ 779.7	(2)%
Net Contracts Signed:			
Net contract value ($ in millions)	$ 941.0	$ 948.3	(1)%
Net contracted units	1,307	1,212	8%
Average contracted price ($ in thousands)	$ 720.0	$ 782.4	(8)%
Home sales cost of revenues as a percentage of home sales revenues	81.1%	80.5%	
Income before income taxes ($ in millions)	$ 106.1	$ 99.9	6%
Number of selling communities at October 31,	72	53	36%

The increase in the number of homes delivered in fiscal 2019 was mainly due to an increase in the number of homes in backlog at October 31, 2018, as compared to the number of homes in backlog at October 31, 2017; higher backlog conversion in fiscal 2019, as compared to fiscal 2018; and the delivery of 23 homes in several markets in South Carolina from the Sabal acquisition. The decrease in the average price of homes delivered in fiscal 2019 was primarily due to a shift in the number of homes delivered to less expensive areas and/or products in fiscal 2019.

The increase in the number of net contracts signed in fiscal 2019 was mainly due to contracts we signed in several markets in South Carolina in fiscal 2019 and an increase in the number of selling communities, primarily in Florida, in fiscal 2019 offset, in part, by decreased demand. The decrease in the average value of each contract signed in fiscal 2019 was mainly due to shifts in the number of contracts signed to less expensive areas and/or products in fiscal 2019.

The increase in income before income taxes in fiscal 2019 was principally due to higher earnings from increased home sales revenues, offset, in part, by higher inventory impairment charges. Inventory impairment charges were $8.5 million and $0.7 million in fiscal 2019 and 2018, respectively. During fiscal 2019, we decided to sell the remaining lots in a bulk sale in one community located in Texas rather than sell and construct homes, primarily due to a lack of improvement and/or a decrease in customer demand. As a result, the carrying value of this community was written down to its estimated fair value, which resulted in a charge to income before income taxes of $1.5 million in fiscal 2019. In addition, we terminated three purchase agreements to acquire land parcels in Texas and forfeited the deposit balances outstanding. We wrote off the related deposits resulting in a charges to income before income taxes of $4.2 million in fiscal 2019.

MOUNTAIN

	Year ended October 31,		
	2019	2018	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues ($ in millions)	$ 1,130.9	$ 1,126.6	—%
Units delivered	1,711	1,797	(5)%
Average delivered price ($ in thousands)	$ 661.0	$ 626.9	5%
Net Contracts Signed:			
Net contract value ($ in millions)	$ 1,456.2	$ 1,229.6	18%
Net contracted units	2,097	1,871	12%
Average contracted price ($ in thousands)	$ 694.4	$ 657.2	6%
Home sales cost of revenues as a percentage of home sales revenues	78.9%	78.6%	
Income before income taxes ($ in millions)	$ 113.0	$ 136.2	(17)%
Number of selling communities at October 31,	79	73	8%

The decrease in the number of homes delivered in fiscal 2019 was mainly due to lower backlog conversion in fiscal 2019, as compared to fiscal 2018. The increase in the average price of homes delivered in fiscal 2019 was primarily due to a shift in the number of homes delivered to more expensive areas and/or products and price increases in fiscal 2019.

The increase in the number of net contracts signed in fiscal 2019 was principally due to an increase in the average number of selling communities in fiscal 2019. The increase in the average value of each contract signed in fiscal 2019 was mainly due to a shift in the number of contracts signed to more expensive areas and/or products in fiscal 2019.

The decrease in income before income taxes in fiscal 2019 was due mainly to higher SG&A costs and higher home sales cost of revenues, as a percentage of home sales revenues, in fiscal 2019. The increase in home sales cost of revenues, as a percentage of home sales revenues, was primarily due to a shift in product mix/areas to lower-margin areas in fiscal 2019.

PACIFIC

	Year ended October 31,		
	2019	2018	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues ($ in millions)	$ 2,416.6	$ 2,533.5	(5)%
Units delivered	1,434	1,655	(13)%
Average delivered price ($ in thousands)	$ 1,685.2	$ 1,530.8	10%
Net Contracts Signed:			
Net contract value ($ in millions)	$ 1,804.8	$ 2,877.8	(37)%
Net contracted units	1,095	1,830	(40)%
Average contracted price ($ in thousands)	$ 1,648.2	$ 1,572.6	5%
Home sales cost of revenues as a percentage of home sales revenues	71.7%	70.5%	
Income before income taxes ($ in millions)	$ 509.8	$ 571.4	(11)%
Number of selling communities at October 31,	51	48	6%

The decrease in the number of homes delivered in fiscal 2019 was mainly due to lower backlog conversion in fiscal 2019, as compared to fiscal 2018, offset, in part, by the increased number of homes in backlog at October 31, 2018, as compared to the number of homes in backlog at October 31, 2017. The increase in the average price of homes delivered in 2019 was primarily due to a shift in the number of homes delivered to more expensive areas and/or products and increased selling prices of homes delivered in fiscal 2019.

The decrease in the number of net contracts signed in fiscal 2019 was principally due to a decrease in demand and reduced availability of lots in fiscal 2019. The increase in the average value of each contract signed in fiscal 2019 was mainly due to a shift in the number of contracts signed to more expensive areas and/or products in fiscal 2019.

The decrease in income before income taxes in fiscal 2019 was primarily due to lower earnings from the decreased home sales revenues and higher home sales cost of revenues, as a percentage of home sales revenues, in fiscal 2019, as compared to fiscal 2018, partially offset by lower SG&A costs in fiscal 2019. The increase in home sales cost of revenues, as a percentage of home sales revenues, was primarily due to a shift in product mix/areas to lower-margin areas in fiscal 2019, and a $7.0 million benefit in fiscal 2018 from the reversal of an accrual related to the Shapell acquisition that had expired.

CITY LIVING

	Year ended October 31,		
	2019	2018	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues ($ in millions)	$ 253.2	$ 321.0	(21)%
Units delivered	204	169	21%
Average delivered price ($ in thousands)	$ 1,241.1	$ 1,899.4	(35)%
Net Contracts Signed:			
Net contract value ($ in millions)	$ 224.7	$ 277.8	(19)%
Net contracted units	150	183	(18)%
Average contracted price ($ in thousands)	$ 1,498.0	$ 1,518.0	$ (1)%
Home sales cost of revenues as a percentage of home sales revenues	67.8%	72.7%	
Income before income taxes ($ in millions)	$ 70.1	$ 78.1	(10)%
Number of selling communities at October 31,	4	6	(33)%

The increase in the number of homes delivered in fiscal 2019 was mainly attributable to homes delivered at a building located in Jersey City, New Jersey, which commenced deliveries in the fourth quarter of fiscal 2018. The decrease in the average price of homes delivered in fiscal 2019 was primarily due to a shift in the number of homes delivered to less expensive buildings in fiscal 2019 offset, in part, by the delivery of two homes in fiscal 2019 in a building located in New York City, New York, where the average price was $13.6 million. In fiscal 2019 and 2018, 7% and 37%, respectively, of the units delivered were located in New York City, where average home prices were higher.

The decrease in the number of net contracts signed in fiscal 2019 was primarily due to a decrease in demand. The decrease in the average sales price of net contracts signed in fiscal 2019 was principally due to a shift to less expensive units in fiscal 2019, offset, in part, by the sale of two homes in fiscal 2019 in a building located in New York City, New York, where the average price was $13.6 million.

The decrease in income before income taxes in fiscal 2019 was mainly due to lower earnings from decreased home sales revenues and a decrease in earnings from our investments in unconsolidated entities in fiscal 2019. This decrease was partially offset by lower home sales cost of revenues, as a percentage of home sale revenues, in fiscal 2019. The lower home sales cost of revenues, as a percentage of home sale revenues, in fiscal 2019 was due primarily to a shift in the number of homes delivered to buildings with higher margins; a state reimbursement of previously expensed environmental clean-up costs received in fiscal 2019; a benefit in fiscal 2019 from the reversal of accruals for certain HOA turnovers that were no longer required; and lower interest costs in fiscal 2019. These decreases were offset, in part, by impairment charges of $4.8 million in fiscal 2019. As a result of decreased demand, we wrote down the carrying value of units in two buildings, located in Maryland and New York, New York, to their estimated fair values, which resulted in impairment charges of $4.8 million in fiscal 2019.

In fiscal 2019, earnings from our investments in unconsolidated entities decreased $2.8 million as compared to fiscal 2018. This decrease was primarily due a shift in the number of homes delivered to buildings with lower margins and a shift in the number of homes delivered in joint ventures where our ownership percentage was lower in fiscal 2019, as compared to fiscal 2018. The tables below provide information related to deliveries, home sales revenues and net contracts signed by our City Living Home Building Joint Ventures, for the periods indicated, and the related backlog for the dates indicated ($ amounts in millions):

	Year ended October 31,			
	2019 Units	2018 Units	2019 $	2018 $
Deliveries and home sales revenues	147	14	$ 330.8	$ 65.7
Net contracts signed	39	102	$ 128.1	$ 245.6

	At October 31,			
	2019 Units	2018 Units	2019 $	2018 $
Backlog	26	134	$ 76.3	$ 279.0

CORPORATE AND OTHER

In fiscal 2019 and 2018, loss before income taxes was $143.9 million and $109.2 million, respectively. The increase in the loss before income taxes in fiscal 2019 was principally attributable to $67.2 million of gains recognized in fiscal 2018 from asset sales by our Rental Property Joint Ventures located in College Park, Maryland, Herndon, Virginia, and Westborough, Massachusetts; a $10.7 million gain from a bulk sale of security monitoring accounts by our home control solutions business in fiscal 2018; an increase in losses in several Rental Property Joint Ventures due to the commencement of operations and lease up activities in fiscal 2019; and higher SG&A costs in fiscal 2019. These increases were partially offset by gains recognized in fiscal 2019 of $35.1 million from the sale of seven golf clubs; $9.3 million from the sales of land to newly formed Rental Property Joint Ventures; $3.8 million from an asset sale by a Rental Property Joint Venture in Phoenixville, Pennsylvania; and higher interest income in fiscal 2019.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk primarily due to fluctuations in interest rates. We utilize both fixed-rate and variable-rate debt. For fixed-rate debt, changes in interest rates generally affect the fair market value of the debt instrument, but not our earnings or cash flow. Conversely, for variable-rate debt, changes in interest rates generally do not affect the fair market value of the debt instrument, but do affect our earnings and cash flow. We do not have the obligation to prepay fixed-rate debt prior to maturity, and, as a result, interest rate risk and changes in fair market value should not have a significant impact on our fixed-rate debt until we are required or elect to refinance it.

The London Interbank Offered Rate ("LIBOR") is the primary basis for determining interest payments on borrowings under each of our $800 million Term Loan Facility and our $1.905 Revolving Credit Facility. Banks currently reporting information used to set LIBOR will stop doing so after 2021. Various parties, including government agencies, are seeking to identify an alternative rate to replace LIBOR. We are monitoring their efforts and, although each of our Term Loan Facility and Revolving Credit Facility contain provisions designed to accommodate an alternate reference rate, we may need to amend these and other contracts, such as interest rate hedges that reference these contracts, to accommodate any replacement rate. The potential effect of any such event on our cost of capital cannot yet be determined, but we do not expect it to have a material impact on our consolidated financial condition, results of operations, or cash flows.

The following table shows our debt obligations by scheduled maturity, weighted-average interest rates, and estimated fair value as of October 31, 2020 ($ amounts in thousands):

	Fixed-rate debt		Variable-rate debt (a)	
Fiscal year of maturity	Amount	Weighted-average interest rate (%)	Amount	Weighted-average interest rate (%)
2021	$ 98,664	3.46%	$ 161,971	1.89%
2022	453,134	5.75%	—	
2023	452,691	4.40%	—	
2024	306,070	5.20%	—	
2025	59,151	5.83%	—	
Thereafter (b)	1,638,063	4.49%	800,000	1.47%
Bond discounts, premiums, and deferred issuance costs, net	(8,158)		(3,302)	
Total	$ 2,999,615	4.73%	$ 958,669	1.54%
Fair value at October 31, 2020	$ 3,232,778		$ 961,971	

(a) Based upon the amount of variable-rate debt outstanding at October 31, 2020, and holding the variable-rate debt balance constant, each 1% increase in interest rates would increase the interest incurred by us by approximately $9.6 million per year.

(b) In November 2020, we entered into five interest rate swap transactions to hedge $400.0 million of the Term Loan Facility through October 2025, which is included in the variable-rate debt column in the table above. The interest rate swaps effectively fix the interest cost on the $400.0 million at 0.369% plus the spread set forth in the pricing schedule in the Term Loan Facility, which was 1.3% as of October 31, 2020. These interest rate swaps were designated as cash flow hedges.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on this evaluation under the framework in Internal Control—Integrated Framework, our management concluded that our internal control over financial reporting was effective as of October 31, 2020.

During fiscal 2020, we completed the acquisitions of each of The Thrive Group, LLC ("Thrive") and Keller Homes, Inc. ("Keller"). In accordance with SEC Staff guidance permitting a company to exclude an acquired business from management's assessment of the effectiveness of internal control over financial reporting for the year in which the acquisition is completed, we have excluded each of Thrive and Keller from the Company's assessment of the effectiveness of internal control over financial reporting as of October 31, 2020. These companies represented approximately 1% of the Company's total assets as of October 31, 2020 and less than 1% of the Company's revenues for the fiscal year ended October 31, 2020.

Our independent registered public accounting firm, Ernst & Young LLP, has issued its report, which is included herein, on the effectiveness of our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Toll Brothers, Inc.

OPINION ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We have audited Toll Brothers, Inc.'s internal control over financial reporting as of October 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Toll Brothers, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of October 31, 2020, based on the COSO criteria.

As indicated in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of The Thrive Group, LLC and Keller Homes, Inc., which are included in the 2020 consolidated financial statements of the Company and constitute approximately 1% of total assets as of October 31, 2020 and less than 1% of revenues for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of The Thrive Group, LLC and Keller Homes, Inc.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2020 consolidated financial statements of the Company and our report dated December 22, 2020 expressed an unqualified opinion thereon.

BASIS FOR OPINION

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

DEFINITION AND LIMITATIONS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Ernst & Young LLP

Philadelphia, Pennsylvania
December 22, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Toll Brothers, Inc.

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of Toll Brothers, Inc. (the Company) as of October 31, 2020 and 2019, the related consolidated statements of operations and comprehensive income, changes in equity and cash flows for each of the three years in the period ended October 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at October 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of October 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated December 22, 2020 expressed an unqualified opinion thereon.

ADOPTION OF ASU NO. 2014-09

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for revenue recognition, inventory and cost of revenues in 2019 due to the adoption of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and related Subtopic ASC 340-40, *Other Assets and Deferred Costs - Contracts with Customers*.

ADOPTION OF ASU NO. 2016-02

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for leases in 2020 due to the adoption of ASU No. 2016-02, *Leases.*

BASIS FOR OPINION

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

CRITICAL AUDIT MATTERS

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

WATER INTRUSION RESERVES

Description of the Matter

As described in Note 7 of the consolidated financial statements, the Company accrues for the estimated repair costs to be incurred for known and unknown water intrusion claims from owners of certain homes built in Pennsylvania and Delaware. At October 31, 2020, the Company had an accrued liability for water intrusion claims of $79.5 million, representing its best estimate of the expected costs related to known and future water intrusion claims. The Company calculated the estimated liability for water intrusion claims using assumptions that are subject to significant uncertainty, including the number of homes that require repairs, outcomes of litigation or arbitrations, the extent of repairs required, the repair procedures employed, and the expected costs of those repairs or costs incurred to otherwise settle the homeowner's claim. Due to the degree of judgment required in making these assumptions and the inherent uncertainty of certain outcomes, it is reasonably possible that the actual costs will differ from the amount accrued. If it is reasonably possible that such additional costs may be incurred and the effect on the financial statements is material, the Company discloses an estimate of the amount or range of additional costs or a statement that such an estimate cannot be made within the notes to the financial statements.

Auditing the Company's accounting for water intrusion claims, and the related disclosures, was especially challenging as evaluating the likelihood and amount of cost was highly subjective and required significant judgment. In particular, management's estimates were sensitive to assumptions about the number of claims and the costs to settle the claims, which are projected to be resolved over an extended period of time, and the amount accrued by the Company was sensitive to relatively small changes in those assumptions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over management's review of the accrual calculation, including controls over the significant assumptions and the data inputs utilized in the calculations, as well as the financial statement disclosures. For example, we tested controls over management's review of the accrual calculation, including its review of the significant assumptions and the data inputs utilized in the calculations. We also tested controls over management's review of the disclosure in the notes to the consolidated financial statements for compliance with generally accepted accounting principles.

To test the estimated liability and related financial statement disclosures for water intrusion claims, we performed audit procedures that included, among others, testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We compared the significant assumptions used by management to historical water intrusion claims data, historical data about additional homes delivered by the Company that could potentially be subject to water intrusion claims, and historical costs incurred to either repair homes or otherwise settle water intrusion claims from homeowners. We also reviewed contractual agreements and evaluated management's conclusions about the Company's legal and contractual obligations with respect to water intrusion claims. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the accrual for water intrusion claims that would result from changes in the assumptions. We recalculated the Company's liability for water intrusion claims using management's data and evaluated the disclosure of the liability in the Company's consolidated financial statements.

INSURANCE RECEIVABLE

Description of the Matter

As described in Note 7 of the consolidated financial statements, the Company recorded a receivable for expected recoveries from insurance carriers. At October 31, 2020, the Company recorded an estimated insurance receivable of $68.4 million, inclusive of amounts that are subject to dispute with the Company's insurance carriers.

Auditing management's accounting for the existence of insurance receivable was especially challenging due to the complexity and variability of the underlying claims. Evaluating the likelihood and amount of recoveries from insurance carriers was highly subjective and required significant judgment. In particular, as stated in Note 7 of the consolidated financial statements, management's estimates were sensitive to assumptions about the amount of losses that the Company will incur on warranty related repairs by policy year and management's conclusions about the legal merits that support the pending and future insurance claims.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over management's review of the expected recoveries from insurance carriers and the recorded receivable, including controls over the significant assumptions and the data inputs used to calculate the expected recoverable amount, as well as the financial statement disclosures. For example, we tested controls over management's review of the insurance policies and related coverage, the legal merits of the claims made and the expected amounts to be covered under those insurance policies.

To test the expected recoveries from insurance carriers, we performed audit procedures that included, among others, reading and understanding the Company's insurance policies, testing the claims submitted under the Company's insurance policies to verify the completeness, occurrence and measurement of the loss, and, when applicable, vouching cash receipts from the insurance carrier for previously submitted claims. We also tested the Company's calculation of the losses the Company expects to incur on warranty related repairs by policy year. We reviewed communications between the Company and its insurance carriers and evaluated management's conclusions about the legal merits of the insurance claims with respect to the recorded receivable by performing procedures that included, among others, reviewing correspondence from external counsel regarding the legal merits of the Company's insurance claims.

INVENTORY IMPAIRMENT

Description of the Matter

As described in Note 1 of the consolidated financial statements, the Company states its inventory at cost unless an impairment exists, in which case the inventory is written down to fair value. For the year ended October 31, 2020, the Company recorded inventory impairment charges of $32.3 million. The Company regularly evaluates whether there are any impairment indicators for inventory present at the community level. If impairment indicators are present, the Company reviews the carrying value of each community's inventory by comparing the estimated future undiscounted cash flow to the carrying value. For inventory for which the carrying value exceeds the future undiscounted cash flows, the Company writes down the carrying value of the inventory to its estimated fair value primarily based on a discounted cash flow model.

Auditing management's accounting for inventory impairment, its tests for recoverability and, when applicable, its measurement of impairment losses, was especially challenging and involved a high degree of subjectivity as a result of the assumptions and estimates inherent in these evaluations. In particular, management's assumptions and estimates included future home and/or land sales prices, the pace of future sales, and the applicable discount rates, which were sensitive to expectations about future demand, operations and economic factors. Additionally, the fair value of certain communities was highly sensitive to relatively small changes in one or more of those assumptions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over management's inventory impairment review process. For example, we tested controls over management's review of the significant assumptions and data inputs utilized in the calculation of future undiscounted and discounted cash flows.

To test the Company's estimated future cash flows used to test for the recoverability of a community and, if applicable, the measurement of an impairment loss, we performed audit procedures that included, among others, testing the significant assumptions discussed above and the underlying data used by the Company in its impairment analyses, evaluating the methodologies applied by management, and recalculating the total undiscounted and discounted cash flows, if applicable, for each analysis. In certain cases, we involved our internal real estate valuation specialists to assist in performing these procedures. We compared the significant assumptions used by management to historical sales data, sales trends, and observable market-specific data. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of inventory that would result from changes in the assumptions.

Ernst & Young LLP

We have served as the Company's auditor since 1983.

Philadelphia, Pennsylvania
December 22, 2020

CONSOLIDATED BALANCE SHEETS *(Amounts in thousands)*

	October 31, 2020	October 31, 2019
ASSETS		
Cash and cash equivalents	$ 1,370,944	$ 1,286,014
Inventory	7,658,906	7,873,048
Property, construction, and office equipment, net	316,125	273,412
Receivables, prepaid expenses, and other assets (1)	956,294	715,441
Mortgage loans held for sale, at fair value	231,797	218,777
Customer deposits held in escrow	77,291	74,403
Investments in unconsolidated entities	430,701	366,252
Income taxes receivable	23,675	20,791
	$ 11,065,733	$ 10,828,138
LIABILITIES AND EQUITY		
Liabilities		
Loans payable	$ 1,147,955	$ 1,111,449
Senior notes	2,661,718	2,659,898
Mortgage company loan facility	148,611	150,000
Customer deposits	459,406	385,596
Accounts payable	411,397	348,599
Accrued expenses	1,110,196	950,932
Income taxes payable	198,974	102,971
Total liabilities	6,138,257	5,709,445
Equity		
Stockholders' equity		
Preferred stock, none issued	—	—
Common stock, 152,937 shares issued at October 31, 2020 and 2019	1,529	1,529
Additional paid-in capital	717,272	726,879
Retained earnings	5,164,086	4,774,422
Treasury stock, at cost – 26,410 and 11,999 shares at October 31, 2020 and 2019, respectively	(1,000,454)	(425,183)
Accumulated other comprehensive loss	(7,198)	(5,831)
Total stockholders' equity	4,875,235	5,071,816
Noncontrolling interest	52,241	46,877
Total equity	4,927,476	5,118,693
	$ 11,065,733	$ 10,828,138

(1) As of October 31, 2020 and 2019, receivables, prepaid expenses, and other assets include $163.0 million and $145.8 million, respectively, of assets related to consolidated variable interest entities ("VIEs"). See Note 4, "Investments in Unconsolidated Entities" for additional information regarding VIEs.

See accompanying notes.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Amounts in thousands, except per share data)

	Year ended October 31, 2020	2019	2018
Revenues:			
Home sales	$ 6,937,357	$ 7,080,379	$ 7,143,258
Land sales and other	140,302	143,587	—
	7,077,659	7,223,966	7,143,258
Cost of revenues:			
Home sales	5,534,103	5,534,217	5,536,812
Land sales and other	125,854	129,704	—
	5,659,957	5,663,921	5,536,812
Selling, general and administrative	867,442	879,245	820,230
Income from operations	550,260	680,800	786,216
Other:			
Income from unconsolidated entities	948	24,868	85,240
Other income – net	35,693	81,502	62,460
Income before income taxes	586,901	787,170	933,916
Income tax provision	140,277	197,163	185,765
Net income	$ 446,624	$ 590,007	$ 748,151
Other comprehensive (loss) income, net of tax	(1,367)	(6,525)	2,926
Total comprehensive income	$ 445,257	$ 583,482	$ 751,077
Per share:			
Basic earnings	$ 3.43	$ 4.07	$ 4.92
Diluted earnings	$ 3.40	$ 4.03	$ 4.85
Weighted-average number of shares:			
Basic	130,095	145,008	151,984
Diluted	131,247	146,501	154,201

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(Amounts in thousands)*

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Stock-holders' Equity	Non-controlling Interest	Total Equity
	Shares	$	$	$	$	$	$	$	$
Balance, November 1, 2017	177,937	1,779	720,115	4,474,064	(662,854)	(1,910)	4,531,194	5,896	4,537,090
Cumulative effect adjustment upon adoption of ASU 2016-09 and ASU 2018-02			372	1,413		(322)	1,463		1,463
Net income				748,151			748,151		748,151
Purchase of treasury stock					(503,159)		(503,159)		(503,159)
Exercise of stock options and stock based compensation issuances			(21,789)		33,969		12,180		12,180
Employee stock purchase plan issuances			43		1,166		1,209		1,209
Stock-based compensation			28,312				28,312		28,312
Dividends declared				(62,077)			(62,077)		(62,077)
Other comprehensive income						2,926	2,926		2,926
Loss attributable to non-controlling interest							—	(15)	(15)
Capital contribution							—	2,832	2,832
Balance, October 31, 2018	177,937	1,779	727,053	5,161,551	(1,130,878)	694	4,760,199	8,713	4,768,912
Cumulative effect adjustment upon adoption of ASC 606, net of tax				(17,987)			(17,987)		(17,987)
Net income				590,007			590,007		590,007
Purchase of treasury stock					(233,523)		(233,523)		(233,523)
Exercise of stock options and stock based compensation issuances			(26,368)		42,392		16,024		16,024
Employee stock purchase plan issuances			14		1,309		1,323		1,323
Stock-based compensation			26,180				26,180		26,180
Cancellation of treasury stock	(25,000)	(250)		(895,267)	895,517		—		—
Dividends declared				(63,882)			(63,882)		(63,882)
Other comprehensive loss						(6,525)	(6,525)		(6,525)
Loss attributable to non-controlling interest							—	(19)	(19)
Capital contributions							—	38,183	38,183
Balance, October 31, 2019	152,937	1,529	726,879	4,774,422	(425,183)	(5,831)	5,071,816	46,877	5,118,693
Net income				446,624			446,624		446,624
Purchase of treasury stock					(634,057)		(634,057)		(634,057)
Exercise of stock options and stock based compensation issuances			(33,263)		56,702		23,439		23,439
Employee stock purchase plan issuances			(670)		2,084		1,414		1,414
Stock-based compensation			24,326				24,326		24,326
Dividends declared				(56,960)			(56,960)		(56,960)
Other comprehensive loss						(1,367)	(1,367)		(1,367)
Loss attributable to non-controlling interest							—	(10)	(10)
Capital contributions							—	5,374	5,374
Balance, October 31, 2020	152,937	1,529	717,272	5,164,086	(1,000,454)	(7,198)	4,875,235	52,241	4,927,476

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS *(Amounts in thousands)*

	Year Ended October 31,		
	2020	2019	2018
Cash flow provided by operating activities:			
Net income	$ 446,624	$ 590,007	$ 748,151
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	68,873	72,149	25,259
Stock-based compensation	24,326	26,180	28,312
Income from unconsolidated entities	(948)	(24,868)	(85,240)
Distributions of earnings from unconsolidated entities	27,236	31,799	86,099
Income from foreclosed real estate and distressed loans	(623)	(947)	(1,551)
Deferred tax provision (benefit)	97,780	102,764	(21,930)
Inventory impairments and write-offs	55,883	42,360	35,156
Gain on sales of golf club properties and an office building	(12,970)	(36,277)	—
Other	(3,151)	(1,042)	3,111
Changes in operating assets and liabilities			
Decrease (Increase) in inventory	352,858	(40,236)	(143,598)
Origination of mortgage loans	(1,815,824)	(1,611,496)	(1,449,494)
Sale of mortgage loans	1,806,278	1,565,944	1,410,627
Increase in receivables, prepaid expenses, and other assets	(176,293)	(185,261)	(99,604)
Increase in income taxes receivable	(2,884)	(20,791)	—
Increase (decrease) in customer deposits – net	70,423	14,041	(718)
Increase (Decrease) in accounts payable and accrued expenses	71,835	(64,518)	57,927
Decrease in income taxes payable	(1,306)	(22,147)	(4,296)
Net cash provided by operating activities	1,008,117	437,661	588,211

	Year Ended October 31,		
	2020	2019	2018
Cash flow (used in) provided by investing activities:			
Purchase of property, construction, and office equipment – net	(109,564)	(86,971)	(28,232)
Investments in unconsolidated entities	(71,650)	(56,560)	(27,491)
Return of investments in unconsolidated entities	47,403	147,927	133,190
Investment in foreclosed real estate and distressed loans	(1,110)	(731)	(966)
Return of investments in foreclosed real estate and distressed loans	1,808	3,147	4,765
Proceeds from the sale of golf club properties and an office building	15,617	79,647	—
Business acquisitions	(60,349)	(162,373)	—
Net cash (used in) provided by investing activities	(177,845)	(75,914)	81,266
Cash flow used in financing activities:			
Proceeds from issuance of senior notes	—	400,000	400,000
Proceeds from loans payable	4,027,152	2,699,028	2,630,835
Debt issuance costs	—	(6,180)	(3,531)
Principal payments of loans payable	(4,112,956)	(2,471,616)	(2,690,164)
Redemption of senior notes	—	(600,000)	—
Proceeds from stock-based benefit plans, net	24,856	17,369	13,392
Purchase of treasury stock	(634,057)	(233,523)	(503,159)
Dividends paid	(56,588)	(63,641)	(61,704)
(Payments) receipts related to noncontrolling interest, net	(1,718)	49	30
Net cash used in financing activities	(753,311)	(258,514)	(214,301)
Net increase in cash, cash equivalents, and restricted cash	76,961	103,233	455,176
Cash, cash equivalents, and restricted cash, beginning of period	1,319,643	1,216,410	761,234
Cash, cash equivalents, and restricted cash, end of period	$ 1,396,604	$ 1,319,643	$ 1,216,410

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of Toll Brothers, Inc. (the “Company,” “we,” “us,” or “our”), a Delaware corporation, and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Investments in 50% or less owned partnerships and affiliates are accounted for using the equity method unless it is determined that we have effective control of the entity, in which case we would consolidate the entity.

References herein to fiscal year refer to our fiscal years ended or ending October 31.

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (“GAAP”) requires us to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. In times of economic disruption when uncertainty regarding future economic conditions is heightened, these estimates and assumptions are subject to greater variability. The Company is currently subject to risks and uncertainties resulting from the COVID-19 pandemic, which adversely impacted our results of operations in the second quarter of fiscal 2020, and is likely to continue to impact our results of operations as well as our business operations. As a result, actual results could differ from the estimates and assumptions we make that affect the amounts reported in the Consolidated Financial Statements and accompanying notes, and such differences may be material.

Reclassifications

Effective October 31, 2020, we reclassified sales commissions paid to third-party brokers from home sales cost of revenues to selling, general and administrative expense in our Consolidated Statements of Operations and Comprehensive Income. The reclassification aligns the treatment of sales commissions paid to third-party brokers with the treatment of sales commissions paid to in-house salespersons, and is consistent with the manner in which the majority of the Company’s peers treat such commissions. The reclassification had the effect of lowering home sales cost of revenues (and increasing home sales gross margin) and increasing selling, general and administrative expense by the amount of third-party broker commissions, which totaled $138.6 million, $144.7 million and $136.2 million, or 2.0%, 2.0% and 1.9% of home sales revenues, for the years ended October 31, 2020, 2019 and 2018, respectively. All prior period amounts have been reclassified to conform to the 2020 presentation.

Cash and Cash Equivalents

Liquid investments or investments with original maturities of three months or less are classified as cash equivalents. Our cash balances exceed federally insurable limits. We monitor the cash balances in our operating accounts and adjust the cash balances as appropriate; however, these cash balances could be impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, we have experienced no loss or lack of access to cash in our operating accounts.

Inventory

Inventory is stated at cost unless an impairment exists, in which case it is written down to fair value in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 360, “Property, Plant, and Equipment” (“ASC 360”). In addition to direct land acquisition costs, land development costs, and home construction costs, costs also include interest, real estate taxes, and direct overhead related to development and construction, which are capitalized to inventory during the period beginning with the commencement of development and ending with the completion of construction. For those communities that have been temporarily closed, no additional capitalized interest is allocated to a community’s inventory until it reopens. While the community remains closed, carrying costs such as real estate taxes are expensed as incurred.

We capitalize certain interest costs to qualified inventory during the development and construction period of our communities in accordance with ASC 835-20, “Capitalization of Interest” (“ASC 835-20”). Capitalized interest is charged to home sales cost of sales revenues when the related inventory is delivered. Interest incurred on home building indebtedness in excess of qualified inventory, as defined in ASC 835-20, is charged to the Consolidated Statements of Operations and Comprehensive Income in the period incurred.

Once a parcel of land has been approved for development and we open one of our typical communities, it may take four or more years to fully develop, sell, and deliver all the homes in such community. Longer or shorter time periods are possible depending on the number of home sites in a community and the sales and delivery pace of the homes in a community. Our master planned communities, consisting of several smaller communities, may take up to 10 years or more to complete. Because our inventory is considered a long-lived asset under GAAP, we are required, under ASC 360, to regularly review the carrying value of each community and write down the value of those communities for which we believe the values are not recoverable.

OPERATING COMMUNITIES: When the profitability of an operating community deteriorates, the sales pace declines significantly, or some other factor indicates a possible impairment in the recoverability of the asset, the asset is reviewed for impairment by comparing the estimated future undiscounted cash flow for the community to its carrying value. If the estimated future undiscounted cash flow is less than the community’s carrying value, the carrying value is written down to its estimated fair value. Estimated fair value is primarily determined by discounting the estimated future cash flow of each community. The impairment is charged to home sales cost of revenues in the period in which the impairment is determined. In estimating the future undiscounted cash flow of a community, we use various estimates such as (i) the expected sales pace in a community, based upon general economic conditions that will have a short-term or long-term impact on the market in which the community is located and on competition within the market, including the number of home sites available and pricing and incentives being offered in other communities owned by us or by other builders; (ii) the expected sales prices and sales incentives to be offered in a community; (iii) costs expended to date and expected to be incurred in the future, including, but not limited to, land and land development, home construction, interest, and overhead costs; (iv) alternative product offerings that may be offered in a community that will have an impact on sales pace, sales price, building cost, or the number of homes that can be built on a particular site; and (v) alternative uses for the property such as the possibility of a sale of the entire community to another builder or the sale of individual home sites.

FUTURE COMMUNITIES: We evaluate all land held for future communities or future sections of operating communities, whether owned or under contract, to determine whether or not we expect to proceed with the development of the land as originally contemplated. This evaluation encompasses the same types of estimates used for operating communities described above, as well as an evaluation of the regulatory environment applicable to the land and the estimated probability of obtaining the necessary approvals, the estimated time and cost it will take to obtain the approvals, and the possible concessions that may be required to be given in order to obtain them. Concessions may include cash payments to fund improvements to public places such as parks and streets, dedication of a portion of the property for use by the public or as open space, or a reduction in the density or size of the homes to be built. Based upon this review, we decide (i) as to land under contract to be purchased, whether the contract will likely be terminated or renegotiated, and (ii) as to land owned, whether the land will likely be developed as contemplated or in an alternative manner, or should be sold. We then further determine whether costs that have been capitalized to the community are recoverable or should be written off. The write-off is charged to home sales cost of revenues in the period in which the need for the write-off is determined.

The estimates used in the determination of the estimated cash flows and fair value of both current and future communities are based on factors known to us at the time such estimates are made and our expectations of future operations and economic conditions. Should the estimates or expectations used in determining estimated fair value deteriorate in the future, we may be required to recognize additional impairment charges and write-offs related to current and future communities and such amounts could be material.

Variable Interest Entities

We are required to consolidate variable interest entities ("VIEs") in which we have a controlling financial interest in accordance with ASC 810, "Consolidation" ("ASC 810"). A controlling financial interest will have both of the following characteristics: (i) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Our variable interest in VIEs may be in the form of equity ownership, contracts to purchase assets, management services and development agreements between us and a VIE, loans provided by us to a VIE or other member, and/or guarantees provided by members to banks and other parties.

We have a significant number of land purchase contracts and financial interests in other entities which we evaluate in accordance with ASC 810. We analyze our land purchase contracts and the entities in which we have an investment to determine whether the land sellers and entities are VIEs and, if so, whether we are the primary beneficiary. We examine specific criteria and use our judgment when determining if we are the primary beneficiary of a VIE. Factors considered in determining whether we are the primary beneficiary include risk and reward sharing, experience and financial condition of other member(s), voting rights, involvement in day-to-day capital and operating decisions, representation on a VIE's executive committee, existence of unilateral kick-out rights or voting rights, level of economic disproportionality between us and the other member(s), and contracts to purchase assets from VIEs. The determination whether an entity is a VIE and, if so, whether we are the primary beneficiary may require significant judgment.

Property, Construction, and Office Equipment

Property, construction, and office equipment are recorded at cost and are stated net of accumulated depreciation of $266.7 million and $252.5 million at October 31, 2020 and 2019, respectively. For property and equipment related to onsite sales offices, depreciation is recorded using the units of production method as homes are delivered. For all other property and equipment, depreciation is recorded using a straight-line method over the estimated useful lives of the related assets. In fiscal 2020, 2019, and 2018, we recognized $67.6 million, $67.6 million, and $21.0 million of depreciation expense, respectively.

Subsequent events

In November 2020, we closed on the sale of a parking garage at one of our City Living properties in Hoboken, New Jersey for $34.7 million and we expect to recognize a gain of approximately $24.0 million during our first quarter of fiscal 2021 as a result of this sale.

Mortgage Loans Held for Sale

Residential mortgage loans held for sale are measured at fair value in accordance with the provisions of ASC 825, "Financial Instruments" ("ASC 825"). We believe the use of ASC 825 improves consistency of mortgage loan valuations between the date the borrower locks in the interest rate on the pending mortgage loan and the date of the mortgage loan sale. At the end of the reporting period, we determine the fair value of our mortgage loans held for sale and the forward loan commitments we have entered into as a hedge against the interest rate risk of our mortgage loans using the market approach to determine fair value. The evaluation is based on the current market pricing of mortgage loans with similar terms and values as of the reporting date, and such pricing is applied to the mortgage loan portfolio. We recognize the difference between the fair value and the unpaid principal balance of mortgage loans held for sale as a gain or loss. In addition, we recognize the change in fair value of our forward loan commitments as a gain or loss. Interest income on mortgage loans held for sale is calculated based upon the stated interest rate of each loan. In addition, the recognition of net origination costs and fees associated with residential mortgage loans originated are expensed as incurred. These gains and losses, interest income, and origination costs and fees are recognized in "Other income - net" in the Consolidated Statements of Operations and Comprehensive Income.

Investments in Unconsolidated Entities

In accordance with ASC 323, "Investments—Equity Method and Joint Ventures," we review each of our investments on a quarterly basis for indicators of impairment. A series of operating losses of an investee, the inability to recover our invested capital, or other factors may indicate that a loss in value of our investment in the unconsolidated entity has occurred. If a loss exists, we further review the investment to determine if the loss is other than temporary, in which case we write down the investment to its estimated fair value. The evaluation of our investment in unconsolidated entities entails a detailed cash flow analysis using many estimates, including, but not limited to, expected sales pace, expected sales prices, expected incentives, costs incurred and anticipated, sufficiency of financing and capital, competition, market conditions, and anticipated cash receipts, in order to determine projected future distributions from the unconsolidated entity. In addition, for investments in rental properties, we review rental trends, expected future expenses, and expected cash flows to determine estimated fair values of the properties.

Our unconsolidated entities that develop land or develop for-sale homes and condominiums evaluate their inventory in a similar manner as we do. See "Inventory" above for more detailed disclosure on our evaluation of inventory. For our unconsolidated entities that own, develop, and manage for-rent residential apartments, we review rental trends, expected future expenses, and expected future cash flows to determine estimated fair values of the underlying properties. If a valuation adjustment is recorded by an unconsolidated entity related to its assets, our proportionate share is reflected in income from unconsolidated entities with a corresponding decrease to our investment in unconsolidated entities.

We are a party to several joint ventures with unrelated parties to develop and sell land that is owned by the joint ventures. We recognize our proportionate share of the earnings from the sale of home sites to other builders, including our joint venture partners. We do not recognize earnings from the home sites we purchase from these ventures at the time of purchase; instead, our cost basis in those home sites is reduced by our share of the earnings realized by the joint venture from sales of those home sites to us.

We are also a party to several other joint ventures. We recognize our proportionate share of the earnings and losses of our unconsolidated entities.

Fair Value Disclosures

We use ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"), to measure the fair value of certain assets and liabilities. ASC 820 provides a framework for measuring fair value in accordance with GAAP, establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, and requires certain disclosures about fair value measurements.

The fair value hierarchy is summarized below:

LEVEL 1:	Fair value determined based on quoted prices in active markets for identical assets or liabilities.
LEVEL 2:	Fair value determined using significant observable inputs, generally either quoted prices in active markets for similar assets or liabilities or quoted prices in markets that are not active.
LEVEL 3:	Fair value determined using significant unobservable inputs, such as pricing models, discounted cash flows, or similar techniques.

Treasury Stock

Treasury stock is recorded at cost. Issuance of treasury stock is accounted for on a first-in, first-out basis. Differences between the cost of treasury stock and the re-issuance proceeds are charged to additional paid-in capital. When treasury stock is canceled, any excess purchase price over par value is charged directly to retained earnings.

Revenue and Cost Recognition

As discussed under "Recent Accounting Pronouncements" below, on November 1, 2018, we adopted Accounting Standards Codification ("ASC") Topic 606 "Revenue from Contracts with Customers" ("ASC 606"). As a result of this adoption, we updated our revenue recognition policies effective November 1, 2018, as follows:

HOME SALES REVENUES: Revenues and cost of revenues from home sales are recognized at the time each home is delivered and title and possession are transferred to the buyer. For the majority of our home closings, our performance obligation to deliver a home is satisfied in less than one year from the date a binding sale agreement is signed. In certain states where we build, we are not able to complete certain outdoor features prior to the closing of the home. Effective November 1, 2018, to the extent these separate performance obligations are not complete upon the home closing, we defer a portion of the home sales revenues related to these obligations and subsequently recognize the revenue upon completion of such obligations. As of October 31, 2020, the home sales revenues and related costs we deferred related to these obligations were immaterial. Our contract liabilities, consisting of deposits received from customers for sold but undelivered homes, totaled $459.4 million and $385.6 million at October 31, 2020 and October 31, 2019, respectively. Of the outstanding customer deposits held as of October 31, 2019, we recognized $332.8 million in home sales revenues during the fiscal year ended October 31, 2020. Of the outstanding customer deposits held as of October 31, 2018, we recognized $367.8 million in home sales revenues during the fiscal year ended October 31, 2019.

For our standard attached and detached homes, land, land development, and related costs, both incurred and estimated to be incurred in the future, are amortized to the cost of homes closed based upon the total number of homes to be constructed in each community. Any changes resulting from a change in the estimated number of homes to be constructed or in the estimated land, land development, and related costs subsequent to the commencement of delivery of homes are allocated to the remaining undelivered homes in the community. Home construction and related costs are charged to the cost of homes closed under the specific identification method. The estimated land, common area development, and related costs of master planned communities, including the cost of golf courses, net of their estimated residual value, are allocated to individual communities within a master planned community on a relative sales value basis. Any changes resulting from a change in the estimated number of homes to be constructed or in the estimated costs are allocated to the remaining home sites in each of the communities of the master planned community.

For high-rise/mid-rise projects, land, land development, construction, and related costs, both incurred and estimated to be incurred in the future, are generally amortized to the cost of units closed based upon an estimated relative sales value of the units closed to the total estimated sales value. Any changes resulting from a change in the estimated total costs or revenues of the project are allocated to the remaining units to be delivered.

LAND SALES AND OTHER REVENUES: Our revenues from land sales and other generally consist of: (1) lot sales to third-party builders within our master planned communities; (2) land sales to joint ventures in which we retain an interest; and (3) bulk land sales to third parties of land we have decided no longer meets our development criteria. In general, our performance obligation for each of these land sales is fulfilled upon the delivery of the land, which generally coincides with the receipt of cash consideration from the counterparty. Effective November 1, 2018, in land sale transactions that contain repurchase options, revenues and related costs are not recognized until the repurchase option expires. In addition, when we sell land to a joint venture in which we retain an interest, we do not recognize revenue or gains on the sale to the extent of our retained interest in such joint venture.

FORFEITED CUSTOMER DEPOSITS: Effective November 1, 2018, forfeited customer deposits are recognized in "Home sales revenues" in our Consolidated Statements of Operations and Comprehensive Income in the period in which we determine that the customer will not complete the purchase of the home and we have the right to retain the deposit.

SALES INCENTIVES: In order to promote sales of our homes, we may offer our home buyers sales incentives. These incentives will vary by type of incentive and by amount on a community-by-community and home-by-home basis. Incentives are reflected as a reduction in home sales revenues. Incentives are recognized at the time the home is delivered to the home buyer and we receive the sales proceeds.

Advertising Costs

We expense advertising costs as incurred. Advertising costs were $37.1 million, $38.5 million, and $28.5 million for the years ended October 31, 2020, 2019, and 2018, respectively.

Warranty and Self-Insurance

WARRANTY: We provide all of our home buyers with a limited warranty as to workmanship and mechanical equipment. We also provide many of our home buyers with a limited 10-year warranty as to structural integrity. We accrue for expected warranty costs at the time each home is closed and title and possession are transferred to the home buyer. Warranty costs are accrued based upon historical experience. Adjustments to our warranty liabilities related to homes delivered in prior periods are recorded in the period in which a change in our estimate occurs. Over the past several years, we have had a significant number of warranty claims related primarily to homes built in Pennsylvania and Delaware. See Note 7 – "Accrued Expenses" for additional information regarding these warranty charges.

SELF-INSURANCE: We maintain, and require the majority of our subcontractors to maintain, general liability insurance (including construction defect and bodily injury coverage) and workers' compensation insurance. These insurance policies protect us against a portion of our risk of loss from claims related to our home building activities, subject to certain self-insured retentions, deductibles and other coverage limits ("self-insured liability"). We also provide general liability insurance for our subcontractors in Arizona, California, Colorado, Nevada, Washington, and certain areas of Texas, where eligible subcontractors are enrolled as insureds under our general liability insurance policies in each community in which they perform work. For those enrolled subcontractors, we absorb their general liability associated with the work performed on our homes within the applicable community as part of our overall general liability insurance and our self-insured liability.

We record expenses and liabilities based on the estimated costs required to cover our self-insured liability and the estimated costs of potential claims and claim adjustment expenses that are above our coverage limits or that are not covered by our insurance policies. These estimated costs are based on an analysis of our historical claims and industry data, and include an estimate of claims incurred but not yet reported ("IBNR").

We engage a third-party actuary that uses our historical claim and expense data, input from our internal legal and risk management groups, as well as industry data, to estimate our liabilities related to unpaid claims, IBNR associated with the risks that we are assuming for our self-insured liability, and other required costs to administer current and expected claims. These estimates are subject to uncertainty due to a variety of factors, the most significant being the long period of time between the delivery of a home to a home buyer and when a structural warranty or construction defect claim may be made, and the ultimate resolution of the claim. Though state regulations vary, construction defect claims may be reported and resolved over a prolonged period of time, which can extend for 10 years or longer. As a result, the majority of the estimated liability relates to IBNR. Adjustments to our liabilities related to homes delivered in prior years are recorded in the period in which a change in our estimate occurs.

The projection of losses related to these liabilities requires actuarial assumptions that are subject to variability due to uncertainties regarding construction defect claims relative to our markets and the types of product we build, insurance industry practices, and legal or regulatory actions and/or interpretations, among other factors. Key assumptions used in these estimates include claim frequencies, severity, and settlement patterns, which can occur over an extended period of time. In addition, changes in the frequency and severity of reported claims and the estimates to settle claims can impact the trends and assumptions used in the actuarial analysis, which could be material to our consolidated financial statements. Due to the degree of judgment required, and the potential for variability in these underlying assumptions, our actual future costs could differ from those estimated, and the difference could be material to our consolidated financial statements.

Stock-Based Compensation

We account for our stock-based compensation in accordance with ASC 718, "Compensation – Stock Compensation" ("ASC 718"). We use a lattice model for the valuation of our stock option grants. The option pricing models used are designed to estimate the value of options that, unlike employee stock options and restricted stock units, can be traded at any time and are transferable. In addition to restrictions on trading, employee stock options and restricted stock units may include other restrictions such as vesting periods. Further, such models require the input of highly subjective assumptions, including the expected volatility of the stock price. Stock-based compensation expense is generally included in "Selling, general and administrative" expense in our Consolidated Statements of Operations and Comprehensive Income.

Legal Expenses

Transactional legal expenses for land acquisition and entitlement, and financing are capitalized and expensed over their appropriate life. We expense legal fees related to litigation, warranty and insurance claims when incurred.

Income Taxes

We account for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). Deferred tax assets and liabilities are recorded based on temporary differences between the amounts reported for financial reporting purposes and the amounts reported for income tax purposes. In accordance with the provisions of ASC 740, we assess the realizability of our deferred tax assets. A valuation allowance must be established when, based upon available evidence, it is more likely than not that all or a portion of the deferred tax assets will not be realized. See "Income Taxes – Valuation Allowance" below.

Federal and state income taxes are calculated on reported pre-tax earnings based on current tax law and also include, in the applicable period, the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provisions differ from the amounts currently receivable or payable because certain items of income and expense are recognized for financial reporting purposes in different periods than for income tax purposes. Significant judgment is required in determining income tax provisions and evaluating tax positions. We establish reserves for income taxes when, despite the belief that our tax positions are fully supportable, we believe that our positions may be challenged and disallowed by various tax authorities. The consolidated tax provisions and related accruals include the impact of such reasonably estimable disallowances as deemed appropriate. To the extent that the probable tax outcome of these matters changes, such changes in estimates will impact the income tax provision in the period in which such determination is made.

ASC 740 clarifies the accounting for uncertainty in income taxes recognized and prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. ASC 740 requires a company to recognize the financial statement effect of a tax position when it is "more-likely-than-not" (defined as a substantiated likelihood of more than 50%), based on the technical merits of the position, that the position will be sustained upon examination. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to be recognized in the financial statements based upon the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Our inability to determine that a tax position meets the more-likely-than-not recognition threshold does not mean that the Internal Revenue Service ("IRS") or any other taxing authority will disagree with the position that we have taken.

If a tax position does not meet the more-likely-than-not recognition threshold, despite our belief that our filing position is supportable, the benefit of that tax position is not recognized in the Consolidated Statements of Operations and Comprehensive Income and we are required to accrue potential interest and penalties until the uncertainty is resolved. Potential interest and penalties are recognized as a component of the provision for income taxes. Differences between amounts taken in a tax return and amounts recognized in the financial statements are considered unrecognized tax benefits. We believe that we have a reasonable basis for each of our filing positions and intend to defend those positions if challenged by the IRS or other taxing jurisdiction. If the IRS or other taxing authorities do not disagree with our position, and after the statute of limitations expires, we will recognize the unrecognized tax benefit in the period that the uncertainty of the tax position is eliminated.

Income Taxes – Valuation Allowance

We assess the need for valuation allowances for deferred tax assets in each period based on whether it is more-likely-than-not that some portion of the deferred tax asset would not be realized. If, based on the available evidence, it is more-likely-than-not that such asset will not be realized, a valuation allowance is established against a deferred tax asset. The realization of a deferred tax asset ultimately depends on the existence of sufficient taxable income in either the carryback or carryforward periods under tax law. This assessment considers, among other matters, the nature, consistency, and magnitude of current and cumulative income and losses; forecasts of future profitability; the duration of statutory carryback or carryforward periods; our experience with operating loss and tax credit carryforwards being used before expiration; tax planning alternatives: and outlooks for the U.S. housing industry and broader economy. Changes in existing tax laws or rates could also affect our actual tax results. Due to uncertainties in the estimation process, particularly with respect to changes in facts and circumstances in future reporting periods, actual results could differ from the estimates used in our assessment that could have a material impact on our consolidated results of operations or financial position.

Segment Reporting

We operate in two segments: traditional home building and urban infill. We build and sell homes for detached and attached homes in luxury residential communities located in affluent suburban markets and cater to move-up, empty-nester, active-adult, affordable luxury and second-home buyers in the United States ("Traditional Home Building"). We also build and sell homes in urban infill markets through Toll Brothers City Living® ("City Living").

We have determined that our Traditional Home Building operations operate in five geographic segments. In the first quarter of fiscal 2020, we made certain changes to our Traditional Home Building regional management structure and realigned certain of the states falling among our five geographic segments, as follows:

THE EASTERN REGION:

NORTH:	Connecticut, Delaware, Illinois, Massachusetts, Michigan, Pennsylvania, New Jersey and New York
MID-ATLANTIC:	Georgia, Maryland, North Carolina, Tennessee and Virginia
SOUTH:	Florida, South Carolina and Texas

THE WESTERN REGION:

MOUNTAIN:	Arizona, Colorado, Idaho, Nevada and Utah
PACIFIC:	California, Oregan, and Washington

Previously, our geographic segments were:

NORTH:	Connecticut, Illinois, Massachusetts, Michigan, New Jersey, and New York
MID-ATLANTIC:	Delaware, Maryland, Pennsylvania, and Virginia
SOUTH:	Florida, Georgia, North Carolina, South Carolina, and Texas
WEST:	Arizona, Colorado, Idaho, Nevada, Oregon, Utah, and Washington
CALIFORNIA:	California

Our geographic reporting segments are consistent with how our chief operating decision makers are assessing operating performance and allocating capital following the realignment of the regional management structure. The realignment did not have any impact on our consolidated financial position, results of operations, earnings per share or cash flows. Prior period segment information was restated to conform to the new reporting structure.

In fiscal 2018, we acquired land and commenced development activities in the Salt Lake City, Utah and Portland, Oregon markets. We opened communities in these markets in fiscal 2019. In addition, as a result of recent acquisitions, we commenced operations in Georgia and South Carolina in fiscal 2019 and Tennessee in fiscal 2020.

Recent Accounting Pronouncements

In March 2020, the Securities and Exchange Commission (SEC) adopted amendments to the financial disclosure requirements applicable to registered debt offerings that include credit enhancements, such as subsidiary guarantees, in Rule 3-10 of Regulation S-X. The amended rule focuses on providing material, relevant and decision-useful information regarding guarantees and other credit enhancements, while eliminating certain prescriptive requirements. The Company adopted these amendments on October 31, 2020. Accordingly, summarized financial information has been presented only for the issuers and guarantors of the Company's registered securities for the most recent fiscal year and as permitted, this information is included in Management's Discussion and Analysis of Financial Condition and Results of Operations. In October 2020, the FASB issued ASU 2020-09, "Debt (Topic 470) - Amendments to SEC Paragraphs Pursuant to SEC Release No. 33-10762," to reflect the SEC's new disclosure rules on guaranteed debt securities offerings adopted by the Company.

In February 2016, the FASB issued ASU No. 2016-02, "Leases" ("ASU 2016-02"), which requires an entity to recognize assets and liabilities on the balance sheet for the rights and obligations created by leased assets and provide additional disclosures. In July 2018, the FASB issued ASU No. 2018-11, "Leases: Targeted Improvements" ("ASU 2018-11"), which provides an entity with the option to apply the transition provisions of the new standard at its adoption date instead of at its earliest comparative period presented. ASU 2018-11 also provides an entity with a practical expedient that permits lessors to not separate non-lease components from the associated lease component if certain conditions are met. ASU 2016-02, as amended by ASU 2018-11, became effective for our fiscal year beginning November 1, 2019, and we adopted the new standard using a modified retrospective approach. The prior year period was not recast and our Consolidated Balance Sheet as of October 31, 2019 does not reflect any changes resulting from the adoption of the new standard. We elected to apply the transition provisions that allow us to carry forward our historical assessment of (1) whether contracts are or contain leases, (2) lease classification, and (3) initial direct costs. In addition, we elected the practical expedient that allows lessees the option to account for lease and non-lease components together as a single component for all classes of underlying assets. As a result of the adoption, we recorded a right-of-use ("ROU") asset and lease liability of $114.5 million and $118.5 million, respectively, as of November 1, 2019. The ROU asset is included in "Receivables, prepaid expenses, and other assets" and the corresponding lease liability is included in "Accrued expenses" in our Consolidated Balance Sheet. The adoption of ASU 2016-02 had no impact on retained earnings and did not materially impact our Consolidated Statements of Operations and Comprehensive Income or Consolidated Statements of Cash Flows.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to estimate credit losses. ASU 2016-13 will be effective for our fiscal year beginning November 1, 2020. We believe that the adoption of ASU 2016-13 will not have a material impact on our consolidated financial statements or disclosures. We also do not expect significant changes to our business processes, systems, or internal controls as a result of implementing the standard.

In May 2014, the FASB created ASC 606 with the issuance ASU No. 2014-09, "Revenue from Contracts with Customers," which provides guidance for revenue recognition. ASC 606 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets. ASC 606 supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") Topic 605, "Revenue Recognition," and most industry-specific guidance. ASC 606 also supersedes some cost guidance included in ASC Subtopic 605-35, "Revenue Recognition—Construction-Type and Production-Type Contracts." The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under the previous guidance. These judgments and estimates include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation. In August 2015, the FASB issued ASU 2015-14 "Revenue from Contracts with Customers" ("ASU 2015-14"), which delayed the effective date of ASC 606 by one year. ASC 606, as amended by ASU 2015-14, became effective for our fiscal year beginning November 1, 2018, and we adopted the new standard under the modified retrospective transition method applied to contracts that were not completed as of November 1, 2018. We elected to apply the practical expedient which allows us to immediately expense incremental costs of obtaining a contract that would otherwise have been recognized in one year or less. We recognized the cumulative effect, net of tax, of applying ASC 606 as an adjustment to the opening balance of retained earnings. The comparative information has not been restated and continues to be reported under the previous accounting standards. The adoption of ASC 606 did not have a material impact on our Consolidated Balance Sheet or Consolidated Statement of Operations or Comprehensive Income, and there have been no significant changes to our internal controls, processes, or systems as a result of implementing this new standard.

However, the adoption of ASC 606 resulted in the following changes:

- Prior to adoption of ASC 606, we capitalized certain costs related to our marketing efforts, including sales offices and model home upgrades and furnishings within "Inventory" on our Consolidated Balance Sheets and amortized such costs through "Selling, general, and administrative" on our Consolidated Statements of Operations and Comprehensive Income. As of November 1, 2018, we reclassified $104.8 million to "Property, construction, and office equipment, net" on our Consolidated Balance Sheets, primarily related to sales offices and model home improvement costs. The amortization of such costs will remain unchanged and will continue to be included in "Selling, general, and administrative" on our Consolidated Statements of Operations and Comprehensive Income. Additionally, we recorded a net cumulative effect adjustment to retained earnings of approximately $13.2 million for certain other marketing costs that no longer qualify for capitalization under the new guidance, and such costs will be expensed as incurred in the future.
- Prior to adoption of ASC 606, we recorded our land sale revenues, net of their related expenses, within "Other income – net" on our Consolidated Statements of Operations and Comprehensive Income. As of November 1, 2018, we are presenting this activity in income from operations and breaking out the components of land sales revenues and land sales cost of revenues on our Consolidated Statements of Operations and Comprehensive Income. In addition, due to the existence of certain repurchase options in existing agreements to sell lots to third party builders in our master planned communities, both for wholly owned projects as well as projects in which we are a joint venture partner, we recorded a net cumulative effect adjustment to retained earnings of approximately $4.6 million to account for previously settled lots for which the related repurchase option had not yet expired. Because the amount of the deferred earning is not material to our consolidated financial statements, we have elected to recognize the revenue and related expenses for such lots in future periods when such repurchase options expire rather than account for them as leases under ASC 840, "Leases."
- Prior to adoption of ASC 606, retained customer deposits were classified in "Other income – net" on our Consolidated Statements of Operations and Comprehensive Income. As of November 1, 2018, retained customer deposits, which totaled $11.8 million for our fiscal year ending October 31, 2020, are included in "Home sales revenue" on our Consolidated Statements of Operations and Comprehensive Income. Prior period balances for retained customer deposits have not been reclassified and are not material to our consolidated financial statements.

2. ACQUISITIONS

In fiscal 2020, we acquired substantially all of the assets and operations of The Thrive Group, LLC ("Thrive"), an urban infill builder with operations in Atlanta, Georgia and Nashville, Tennessee, and Keller Homes, Inc. ("Keller"), a builder with operations in Colorado Springs, Colorado. The aggregate purchase price for these acquisitions was approximately $79.2 million in cash. The assets acquired were primarily inventory, including approximately 1,100 home sites owned or controlled through land purchase agreements. One of these acquisitions was accounted for as a business combination and neither were material to our results of operations or financial condition.

In fiscal 2019, we acquired substantially all of the assets and operations of Sharp Residential, LLC ("Sharp") and Sabal Homes LLC ("Sabal"), for approximately $162.4 million in cash. Sharp operates in metropolitan Atlanta, Georgia; Sabal operates in the Charleston, Greenville, and Myrtle Beach, South Carolina markets. The assets acquired, were primarily inventory, including approximately 2,550 home sites owned or controlled through land purchase agreements. In connection with these acquisitions, we assumed contracts to deliver 204 homes with an aggregate value of $96.1 million. The average price of undelivered homes at the dates of acquisitions was approximately $471,100. As a result of these acquisitions, our selling community count increased by 22 communities. These acquisitions were accounted for as a business combination and were not material to our results of operations or financial condition.

3. INVENTORY

Inventory at October 31, 2020 and 2019 consisted of the following (amounts in thousands):

	2020	2019
Land controlled for future communities	$ 223,525	$ 182,929
Land owned for future communities	1,036,843	868,202
Operating communities	6,398,538	6,821,917
	$ 7,658,906	$ 7,873,048

Operating communities include communities offering homes for sale, communities that have sold all available home sites but have not completed delivery of the homes, communities that were previously offering homes for sale but are temporarily closed due to business conditions or non-availability of improved home sites and that are expected to reopen within 12 months of the end of the fiscal year being reported on, and communities preparing to open for sale. The carrying value attributable to operating communities includes the cost of homes under construction, land and land development costs, the carrying cost of home sites in current and future phases of these communities, and the carrying cost of model homes.

Communities that were previously offering homes for sale but are temporarily closed due to business conditions, do not have any remaining backlog, and are not expected to reopen within 12 months of the end of the fiscal period being reported on have been classified as land owned for future communities. Backlog consists of homes under contract but not yet delivered to our home buyers ("backlog").

Information regarding the classification, number, and carrying value of these temporarily closed communities at October 31, 2020, 2019, and 2018, is provided in the table below ($ amounts in thousands):

	2020	2019	2018
Land owned for future communities:			
Number of communities	10	16	17
Carrying value (in thousands)	$ 68,064	$ 120,857	$ 124,426
Operating communities:			
Number of communities	4	1	1
Carrying value (in thousands)	$ 32,112	$ 2,871	$ 2,622

We provided for inventory impairment charges and the expensing of costs that we believed not to be recoverable in each of the three fiscal years ended October 31, 2020, 2019, and 2018, as shown in the table below (amounts in thousands):

	2020	2019	2018
Charge:			
Land controlled for future communities	$ 23,539	$ 11,285	$ 2,820
Land owned for future communities	31,669	—	2,185
Operating communities	675	31,075	30,151
	$ 55,883	$ 42,360	$ 35,156

See Note 12, "Fair Value Disclosures," for information regarding (1) the number of operating communities that we tested for potential impairment, the number of operating communities in which we recognized impairment charges, the amount of impairment charges recognized, and the fair value of those communities, net of impairment charges. and (2) the number of future communities impaired, the amount of impairment charges recognized, and the fair value of those communities, net of impairment charges.

See Note 15, "Commitments and Contingencies," for information regarding land purchase commitments.

At October 31, 2020, we evaluated our land purchase contracts, including those to acquire land for apartment developments, to determine whether any of the selling entities were VIEs and, if they were, whether we were the primary beneficiary of any of them. Under these land purchase contracts, we do not possess legal title to the land; our maximum exposure to loss is generally limited to deposits paid to the sellers and predevelopment costs incurred; and the creditors of the sellers generally have no recourse against us. At October 31, 2020, we determined that 207 land purchase contracts, with an aggregate purchase price of $2.31 billion, on which we had made aggregate deposits totaling $208.7 million, were VIEs, but that we were not the primary beneficiary of any VIE related to such land purchase contracts. At October 31, 2019, we determined that 127 land purchase contracts, with an aggregate purchase price of $2.00 billion, on which we had made aggregate deposits totaling $149.2 million, were VIEs, but that we were not the primary beneficiary of any VIE related to such land purchase contracts.

Interest incurred, capitalized, and expensed in each of the three fiscal years ended October 31, 2020, 2019, and 2018, was as follows (amounts in thousands):

	2020	2019	2018
Interest capitalized, beginning of year	$ 311,323	$ 319,364	$ 352,049
Interest incurred	172,530	178,035	165,977
Interest expensed to home sales cost of revenues	(174,375)	(185,045)	(190,734)
Interest expensed to land sales and other cost of revenues	(5,443)	(1,787)	—
Interest expensed in other income – net	(2,440)	—	(3,760)
Interest capitalized on investments in unconsolidated entities	(3,835)	(4,571)	(7,220)
Previously capitalized interest on investments in unconsolidated entities transferred to inventory	215	5,327	3,052
Interest capitalized, end of year	$ 297,975	$ 311,323	$ 319,364

4. INVESTMENTS IN UNCONSOLIDATED ENTITIES

We have investments in various unconsolidated entities and our ownership interest in these investments range from 15.8% to 50%. These entities, which are structured as joint ventures (i) develop land for the joint venture participants and for sale to outside builders ("Land Development Joint Ventures"); (ii) develop for-sale homes ("Home Building Joint Ventures"); (iii) develop luxury for-rent residential apartments, commercial space, and a hotel ("Rental Property Joint Ventures"), which includes our investment in Toll Brothers Realty Trust (the "Trust"); and (iv) invest in distressed loans and real estate and provide financing and land banking to residential builders and developers for the acquisition and development of land and home sites ("Gibraltar Joint Ventures"). In fiscal 2020, 2019 and 2018, we recognized income from the unconsolidated entities in which we had an investment of $0.9 million, $24.9 million, and $85.2 million, respectively.

The table below provides information as of October 31, 2020, regarding active joint ventures that we are invested in, by joint venture category ($ amounts in thousands):

	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures	Total
Number of unconsolidated entities	9	4	26	7	46
Investment in unconsolidated entities	$ 127,690	$ 33,819	$ 247,049	$ 22,143	$ 430,701
Number of unconsolidated entities with funding commitments by the Company	3	—	10	1	14
Company's remaining funding commitment to unconsolidated entities	$ 33,045	$ —	$ 24,343	$ 17,601	$ 74,989

Certain joint ventures in which we have investments obtained debt financing to finance a portion of their activities. The table below provides information at October 31, 2020, regarding the debt financing obtained by category ($ amounts in thousands):

	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Total
Number of joint ventures with debt financing	4	1	23	28
Aggregate loan commitments	$ 158,823	$ 30,953	$ 1,660,496	$ 1,850,272
Amounts borrowed under commitments	$ 118,071	$ 30,953	$ 1,217,614	$ 1,366,638

More specific and/or recent information regarding our investments in and future commitments to these entities is provided below.

New Joint Ventures

The table below provides information on joint ventures entered into during fiscal 2020 ($ amounts in thousands):

	Land Development Joint Ventures	Rental Property Joint Ventures
Number of unconsolidated joint ventures entered into during the period	1	7
Investment balance at October 31, 2020	$ 24,602	$ 80,448

The table below provides information on joint ventures entered into during fiscal 2019 ($ amounts in thousands):

	Land Development Joint Ventures	Rental Property Joint Ventures
Number of unconsolidated joint ventures entered into during the period	1	10
Investment balance at October 31, 2019	$ 5,913	$ 49,691
Number of consolidated joint ventures entered into during the period	—	4
Carrying value of consolidated joint ventures' assets at October 31, 2019	$ —	$ 124,988
Noncontrolling interests in consolidated joint ventures at October 31, 2019	$ —	$ 37,832

Results of Operations and Intra-entity Transactions

In fiscal 2020, 2019 and 2018, certain of our rental property joint ventures sold their underlying assets to unrelated parties or to our joint venture partner. In connection with these sales, we recognized gains of $10.7 million, $3.8 million, and $67.2 million, respectively, which is included in "Income from unconsolidated entities" in our Consolidated Statements of Operations and Comprehensive Income.

In fiscal 2020, we recognized other-than-temporary impairment charges on a Home Building Joint Venture of $6.0 million. In fiscal 2019 and 2018, we recognized an other-than-temporary impairment charge on certain Land Development Joint Ventures of $1.0 million and $6.0 million, respectively.

In fiscal 2020, 2019 and 2018, purchases from unconsolidated entities principally related to our acquisition of lots from our Land Development Joint Ventures and were $17.6 million, $137.1 million, and $153.2 million, respectively. Our share of income from the lots we acquired was insignificant in each period. Sales to unconsolidated entities principally related to land sales to our Rental Property Joint Ventures for which we recognized gains in land sales and other revenues of $1.2 million, $9.4 million and $1.0 million in our fiscal 2020, 2019 and 2018, Consolidated Statements of Operations and Comprehensive Income, respectively.

Guarantees

The unconsolidated entities in which we have investments generally finance their activities with a combination of partner equity and debt financing. In some instances, we have guaranteed debt of unconsolidated entities. These guarantees may include any or all of the following: (i) project completion guarantees, including any cost overruns; (ii) repayment guarantees, generally covering a percentage of the outstanding loan; (iii) carry cost guarantees, which cover costs such as interest, real estate taxes, and insurance; (iv) an environmental indemnity provided to the lender that holds the lender harmless from and against losses arising from the discharge of hazardous materials from the property and non-compliance with applicable environmental laws; and (v) indemnification of the lender from "bad boy acts" of the unconsolidated entity.

In some instances, we and our joint venture partner have provided joint and several guarantees in connection with loans to unconsolidated entities. In these situations, we generally seek to implement a reimbursement agreement with our partner that provides that neither party is responsible for more than its proportionate share or agreed upon share of the guarantee; however, we are not always successful. In addition, if the joint venture partner does not have adequate financial resources to meet its obligations under such a reimbursement agreement, we may be liable for more than our proportionate share.

We believe that, as of October 31, 2020, in the event we become legally obligated to perform under a guarantee of an obligation of an unconsolidated entity due to a triggering event, the collateral in such entity should be sufficient to repay a significant portion of the obligation. If it is not, we and our partners would need to contribute additional capital to the venture.

Information with respect to certain of the Company's unconsolidated entities' outstanding debt obligations, loan commitments and our guarantees thereon are as follows ($ amounts in thousands):

	October 31, 2020
Loan commitments in the aggregate	$ 1,508,300
Our maximum estimated exposure under repayment and carry cost guarantees if the full amount of the debt obligations were borrowed	$ 229,300
Debt obligations borrowed in the aggregate	$ 1,024,700
Our maximum estimated exposure under repayment and carry cost guarantees of the debt obligations borrowed	$ 179,100
Estimated fair value of guarantees provided by us related to debt and other obligations	$ 6,100
Terms of guarantees	1 month - 3.5 years

The maximum exposure estimates presented above do not take into account any recoveries from the underlying collateral or anyreimbursement from our partners. We have not made payments under any of the guarantees, nor have we been called upon to do so.

Variable Interest Entities

The table below provide information as of October 31, 2020 and 2019, regarding our unconsolidated joint venture-related variable interests in VIEs ($ amounts in thousands):

	October 31, 2020	October 31, 2019
Number of Joint Venture VIEs that the Company is not the Primary Beneficiary ("PB")	12	13
Investment balance in unconsolidated Joint Venture VIEs included in Investments in unconsolidated entities in our Consolidated Balance Sheets	$ 63,100	$ 37,000
Our maximum exposure to losses related to loan guarantees and additional commitments provided to unconsolidated Joint Venture VIEs	$ 122,100	$ 84,300

Our ownership interest in the above unconsolidated Joint Venture VIEs ranges from 20% to 50%.

The table below provide information as of October 31, 2020 and 2019, regarding our consolidated joint venture-related variable interests in VIEs ($ amounts in thousands):

	Balance Sheet Classification	October 31, 2020	October 31, 2019
Number of Joint Venture VIEs that the Company is the PB and consolidates		5	5
Carrying value of consolidated VIEs assets	Receivables prepaid expenses and other assets	$ 163,000	$ 145,800
Our partners' interests in consolidated VIEs	Noncontrolling interest	$ 46,200	$ 41,000

Our ownership interest in the above consolidated Joint Venture VIEs ranges from 50% to 98%.

As shown above, we have concluded we are the PB of certain VIEs due to our controlling financial interest in such ventures as we have the power to direct the activities that most significantly impact the joint ventures' performance and the obligation to absorb expected losses or receive benefits from the joint ventures. The assets of these VIEs can only be used to settle the obligations of the VIEs. In addition, in certain of the joint ventures, in the event additional contributions are required to be funded to the joint ventures prior to the admission of any additional investor at a future date, we will fund 100% of such contributions, including our partner's pro rata share, which we expect would be funded through an interest-bearing loan. For other VIEs, we have concluded that we are not the PB because the power to direct the activities of such VIEs that most significantly impact their performance was either shared by us and such VIEs' other partners or such activities were controlled by our partner. For VIEs where the power to direct significant activities is shared, business plans, budgets, and other major decisions are required to be unanimously approved by all members. Management and other fees earned by us are nominal and believed to be at market rates, and there is no significant economic disproportionality between us and other members.

SUBSEQUENT EVENTS

In November 2020, we entered into a joint venture with an unrelated party to develop a for-rent residential apartment project in Cambridge, Massachusetts. Prior to the formation of this venture, we acquired the property and incurred approximately $60.1 million of land and land development costs. Our partner acquired a 75% interest in this entity for approximately $49.2 million, of which $44.0 million was distributed to us. Our initial investment is $16.4 million. Concurrent with its formation, the joint venture entered into a $141.7 million construction loan agreement to finance the development of this project. We and an affiliate of our partner provided certain guarantees under the construction loan agreement. We estimate that our maximum exposure under recourse guarantees, if the full amount of the loan commitment was borrowed, would be the $28.3 million without taking into account any recoveries from the underlying collateral or any reimbursement from our partner.

In December 2020, a Rental Property Joint Venture that we previously formed in fiscal 2018 secured a $160.0 million construction loan to finance the development of the project. We and an affiliate of our partner provided certain guarantees under the construction loan agreement. We estimate that our maximum exposure under recourse guarantees, if the full amount of the loan commitment was borrowed, would be $24.0 million without taking into account any recoveries from the underlying collateral or any reimbursement from our partner.

Joint Venture Condensed Financial Information

The Condensed Balance Sheets, as of the dates indicated, and the Condensed Statements of Operations and Comprehensive Income, for the periods indicated, for the unconsolidated entities in which we have an investment, aggregated by type of business, are included below (in thousands).

	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures	Total
CONDENSED BALANCE SHEETS:			October 31, 2020		
Cash and cash equivalents	$ 24,330	$ 18,106	$ 64,244	$ 2,798	$ 109,478
Inventory	303,960	198,260	—	8,780	511,000
Loan receivables, net	—	—	—	78,576	78,576
Rental properties	—	—	1,244,911	—	1,244,911
Rental properties under development	—	—	666,386	—	666,386
Real estate owned	—	—	—	6,752	6,752
Other assets	108,289	21,930	38,851	298	169,368
Total assets	$ 436,579	$ 238,296	$ 2,014,392	$ 97,204	$ 2,786,471
Debt, net of deferred financing costs	$ 117,342	$ 30,116	$ 1,220,607	$ —	$ 1,368,065
Other liabilities	54,714	12,768	113,282	6,053	186,817
Members' equity	264,523	195,412	680,503	90,735	1,231,173
Noncontrolling interest	—	—	—	416	416
Total liabilities and equity	$ 436,579	$ 238,296	$ 2,014,392	$ 97,204	$ 2,786,471
Company's net investment in unconsolidated entities (1)	$ 127,690	$ 33,819	$ 247,049	$ 22,143	$ 430,701
			October 31, 2019		
Cash and cash equivalents	$ 23,669	$ 38,115	$ 20,647	$ 3,388	$ 85,819
Inventory	247,866	313,991	—	17,369	579,226
Loan receivables, net	—	—	—	56,545	56,545
Rental properties	—	—	1,021,848	—	1,021,848
Rental properties under development	—	—	535,197	—	535,197
Real estate owned	—	—	—	12,267	12,267
Other assets	96,602	78,916	36,879	364	212,761
Total assets	$ 368,137	$ 431,022	$ 1,614,571	$ 89,933	$ 2,503,663
Debt, net of deferred financing costs	$ 88,050	$ 132,606	$ 1,006,201	$ —	$ 1,226,857
Other liabilities	49,302	33,959	84,735	7,831	175,827
Members' equity	230,785	264,457	523,635	81,686	1,100,563
Noncontrolling interest	—	—	—	416	416
Total liabilities and equity	$ 368,137	$ 431,022	$ 1,614,571	$ 89,933	$ 2,503,663
Company's net investment in unconsolidated entities (1)	$ 110,306	$ 60,512	$ 174,292	$ 21,142	$ 366,252

(1) Differences between our net investment in unconsolidated entities and our underlying equity in the net assets of the entities amounted to $29.4 million and $30.9 million as of October 31, 2020 and 2019, respectively, and are primarily a result of other than temporary impairments related to our investments in unconsolidated entities; interest capitalized on our investments; the estimated fair value of the guarantees provided to the joint ventures; unrealized gains on our retained joint venture interests; gains recognized from the sale of our ownership interests; and distributions from entities in excess of the carrying amount of our net investment.

	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures	Total
CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME:	**For the year ended October 31, 2020**				
Revenues	$ 87,174	$ 139,587	$ 111,122	$ 26,781	$ 364,664
Cost of revenues	64,810	124,899	37,770	15,762	243,241
Other expenses	2,948	15,731	117,419	1,505	137,603
Total expenses	67,758	140,630	155,189	17,267	380,844
Gain on disposition of loans and REO	—	—	—	1,053	1,053
Income (loss) from operations	19,416	(1,043)	(44,067)	10,567	(15,127)
Other income (loss)	3,061	536	(448)	—	3,149
Income (loss) before income taxes	22,477	(507)	(44,515)	10,567	(11,978)
Income tax provision (benefit)	188	(254)	—	—	(66)
Net income (loss) including earnings from noncontrolling interests	22,289	(253)	(44,515)	10,567	(11,912)
Plus: income attributable to noncontrolling interest	—	—	—	48	48
Net income (loss) attributable to controlling interest	$ 22,289	$ (253)	$ (44,515)	$ 10,615	$ (11,864)
Company's equity (deficit) in earnings of unconsolidated entities (2)	$ 11,412	$ (3,424)	$ (9,389)	$ 2,349	$ 948
	For the year ended October 31, 2019				
Revenues	$ 261,677	$ 374,587	$ 99,401	$ 21,377	$ 757,042
Cost of revenues (3)	246,980	323,764	68,502	13,234	652,480
Other expenses (3)	4,752	24,633	58,928	1,880	90,193
Total expenses	251,732	348,397	127,430	15,114	742,673
Gain on disposition of loans and REO	—	—	—	4,383	4,383
Income (loss) from operations	9,945	26,190	(28,029)	10,646	18,752
Other income	3,079	6,144	16,651	12,793	38,667
Income (loss) before income taxes	13,024	32,334	(11,378)	23,439	57,419
Income tax provision	193	457	—	—	650
Net income (loss) including earnings from noncontrolling interests	12,831	31,877	(11,378)	23,439	56,769
Less: income attributable to noncontrolling interest	—	—	—	(9,593)	(9,593)
Net income (loss) attributable to controlling interest	$ 12,831	$ 31,877	$ (11,378)	$ 13,846	$ 47,176
Company's equity (deficit) in earnings of unconsolidated entities (2)	$ 6,160	$ 17,004	$ (824)	$ 2,528	$ 24,868
	For the year ended October 31, 2018				
Revenues	$ 351,397	$ 148,002	$ 121,276	$ 19,592	$ 640,267
Cost of revenues (3)	317,103	109,357	74,946	17,817	519,223
Other expenses (3)	9,385	11,742	61,502	3,201	85,830
Total expenses	326,488	121,099	136,448	21,018	605,053
Gain on disposition of loans and REO	—	—	—	53,192	53,192
Income (loss) from operations	24,909	26,903	(15,172)	51,766	88,406
Other income	5,939	2,134	222,744	1,937	232,754
Income before income taxes	30,848	29,037	207,572	53,703	321,160
Income tax provision	86	767	—	—	853
Net income including earnings from noncontrolling interests	30,762	28,270	207,572	53,703	320,307
Less: income attributable to noncontrolling interest	—	—	—	(28,297)	(28,297)
Net income attributable to controlling interest	$ 30,762	$ 28,270	$ 207,572	$ 25,406	$ 292,010
Company's equity in earnings of unconsolidated entities (2)	$ 3,392	$ 14,069	$ 62,204	$ 5,575	$ 85,240

(2) Differences between our equity in earnings of unconsolidated entities and the underlying net income (loss) of the entities are primarily a result of distributions from entities in excess of the carrying amount of our investment; other than temporary impairments related to our investments in unconsolidated entities; recoveries of previously incurred charges; unrealized gains on our retained joint venture interests; gained recognized from the sale of our investment to our joint venture partner; and our share of the entities' profits related to home sites purchased by us which reduces our cost basis of the home sites acquired.

(3) Effective October 31, 2020, we reclassified sales commissions paid to third-party brokers from home sales cost of revenues to selling, general and administrative expense. Prior year periods have been reclassified to conform to the 2020 presentation.

5. RECEIVABLES, PREPAID EXPENSES, AND OTHER ASSETS

Receivables, prepaid expenses, and other assets at October 31, 2020 and 2019, consisted of the following (amounts in thousands):

	2020	2019
Expected recoveries from insurance carriers and others	$ 79,269	$ 114,162
Improvement cost receivable	86,116	100,864
Escrow cash held by our captive title company	24,712	32,863
Properties held for rental apartment and commercial development	542,796	367,072
Prepaid expenses	28,104	26,041
Right-of-use asset (1)	105,004	—
Other	90,293	74,439
	$ 956,294	$ 715,441

(1) On November 1, 2019, we adopted ASU 2016-02 which resulted in the establishment of a right-of-use ("ROU") asset on our Consolidated Balance Sheet as of October 31, 2020. The Consolidated Balance Sheet as of October 31, 2019 does not reflect any changes resulting from the adoption of the new standard. See Note 1, "Significant Accounting Policies – Recent Accounting Pronouncements" for additional information regarding the adoption of ASU 2016-02.

See Note 7, "Accrued Expenses," for additional information regarding the expected recoveries from insurance carriers and others.

As of October 31, 2020 and 2019, properties held for rental apartment and commercial development include $163.0 million and $145.8 million, respectively, of assets related to consolidated VIEs. See Note 4, "Investments in Unconsolidated Entities" for additional information regarding VIEs.

6. LOANS PAYABLE, SENIOR NOTES, AND MORTGAGE COMPANY LOAN FACILITY

Loans Payable

At October 31, 2020 and 2019, loans payable consisted of the following (amounts in thousands):

	2020	2019
Senior unsecured term loan	$ 800,000	$ 800,000
Loans payable – other	351,257	314,577
Deferred issuance costs	(3,302)	(3,128)
	$ 1,147,955	$ 1,111,449

Senior Unsecured Term Loan

At October 31, 2020, we had an $800.0 million, five-year senior unsecured term loan facility (the "Term Loan Facility") with a syndicate of banks. The Term Loan Facility provides an accordion feature under which we may, subject to certain conditions set forth in the agreement, increase the Term Loan Facility up to a maximum aggregate amount of $1.5 billion. On October 31, 2020, we entered into term loan extension agreements with the banks which extended the maturity date of all $800.0 million of outstanding term loans under the Term Loan Facility from November 1, 2024 to November 1, 2025, with no payments being required before the maturity date.

Under the Term Loan Facility, as amended, we may select interest rates equal to (i) London Interbank Offered Rate ("LIBOR") plus an applicable margin, (ii) the base rate (as defined in the agreement) plus an applicable margin, or (iii) the federal funds/Euro rate (as defined in the agreement) plus an applicable margin, in each case, based on our leverage ratio. At October 31, 2020, the interest rate on the Term Loan Facility was 1.46% per annum.

We and substantially all of our 100%-owned home building subsidiaries are guarantors under the Term Loan Facility. The Term Loan Facility contains substantially the same financial covenants as the Revolving Credit Facility, as described below.

Revolving Credit Facility

We have a $1.905 billion senior unsecured, five-year revolving credit facility (the "Revolving Credit Facility") with a syndicate of banks that was scheduled to expire on November 1, 2024. On October 31, 2020, we entered into extension letter agreements (the "Revolver Extension Agreements") with respect to the Revolving Credit Facility. In connection with the Revolver Extension Agreements, the Company extended the maturity date of $1.850 billion of the revolving loans and commitments under the Revolving Credit Agreement from November 1, 2024 to November 1, 2025, with the remainder of the revolving loans and commitments continuing to terminate on November 1, 2024. On October 31, 2019, we amended our Revolving Credit Facility to replace our then existing $1.295 billion revolving credit facility. Under the amended terms, up to 100% of the commitment is available for letters of credit. The Revolving Credit Facility, as amended, has an accordion feature under which we may, subject to certain conditions set forth in the agreement, increase the Revolving Credit Facility up to a maximum aggregate amount of $2.5 billion. Prior to the amendment, the maximum aggregate amount of the accordion feature was $2.0 billion. We may select interest rates for the Revolving Credit Facility equal to (i) LIBOR plus an applicable margin or (ii) the lenders' base rate plus an applicable margin, which in each case is based on our credit rating and leverage ratio. At October 31, 2020, the interest rate on outstanding borrowings under the Revolving Credit Facility would have been 1.51% per annum. We are obligated to pay an undrawn commitment fee that is based on the average daily unused amount of the Aggregate Credit Commitment and our credit ratings and leverage ratio. Any proceeds from borrowings under the Revolving Credit Facility may be used for general corporate purposes. We and substantially all of our 100%-owned home building subsidiaries are guarantors under the Revolving Credit Facility.

Under the terms of the Revolving Credit Facility, at October 31, 2020, our maximum leverage ratio (as defined in the credit agreement) may not exceed 1.75 to 1.00, and we are required to maintain a minimum tangible net worth (as defined in the credit agreement) of no less than approximately $2.25 billion. Under the terms of the Revolving Credit Facility, at October 31, 2020, our leverage ratio was approximately 0.49 to 1.00 and our tangible net worth was approximately $4.81 billion. Based upon the limitations related to our repurchase of common stock in the Revolving Credit Facility, our ability to repurchase our common stock was limited to approximately $3.18 billion as of October 31, 2020. In addition, under the provisions of the Revolving Credit Facility, our ability to pay cash dividends was limited to approximately $2.56 billion as of October 31, 2020.

At October 31, 2020, we had no outstanding borrowings under the Revolving Credit Facility and had outstanding letters of credit of approximately $119.0 million.

Loans Payable – Other

"Loans payable – other" primarily represent purchase money mortgages on properties we acquired that the seller had financed and various revenue bonds that were issued by government entities on our behalf to finance community infrastructure and our manufacturing facilities.Information regarding our loans payable at October 31, 2020 and 2019, is included in the table below ($ amounts in thousands):

	2020	2019
Aggregate loans payable at October 31	$ 351,257	$ 314,577
Weighted-average interest rate	4.30%	4.49%
Interest rate range	0.20% – 7.00%	1.26% – 7.00%
Loans secured by assets		
Carrying value of loans secured by assets	$ 351,257	$ 314,577
Carrying value of assets securing loans	$ 947,989	$ 850,381

The contractual maturities of "Loans payable – other" as of October 31, 2020, ranged from one month to 30 years.

Senior Notes

At October 31, 2020 and 2019, senior notes consisted of the following (amounts in thousands):

	2020	2019
5.875% Senior Notes due February 15, 2022	$ 419,876	419,876
4.375% Senior Notes due April 15, 2023	400,000	400,000
5.625% Senior Notes due January 15, 2024	250,000	250,000
4.875% Senior Notes due November 15, 2025	350,000	350,000
4.875% Senior Notes due March 15, 2027	450,000	450,000
4.35% Senior Notes due February 15, 2028	400,000	400,000
3.80% Senior Notes due November 1, 2029	400,000	400,000
Bond discounts, premiums, and deferred issuance costs, net	(8,158)	(9,987)
	$ 2,661,718	$ 2,659,898

The senior notes are the unsecured obligations of Toll Brothers Finance Corp., our 100%-owned subsidiary. The payment of principal and interest is fully and unconditionally guaranteed, jointly and severally, by us and substantially all of our 100%- owned home building subsidiaries (together with Toll Brothers Finance Corp., the "Senior Note Parties"). The senior notes rank equally in right of payment with all the Senior Note Parties' existing and future unsecured senior indebtedness, including the Revolving Credit Facility and the Term Loan Facility. The senior notes are structurally subordinated to the prior claims of creditors, including trade creditors, of our subsidiaries that are not guarantors of the senior notes. Each series of senior notes is redeemable in whole or in part at any time at our option, at prices that vary based upon the then-current rates of interest and the remaining original term of the senior notes to be redeemed.

On October 31, 2019, we redeemed, prior to maturity, the $250.0 million of then-outstanding principal amount of 6.75% Senior Notes due November 1, 2019, at par, plus accrued interest.

In September 2019, we issued $400.0 million aggregate principal amount of 3.80% Senior Notes due 2029. The Company received $396.4 million of net proceeds from the issuance of these senior notes.

On November 30, 2018, we redeemed, prior to maturity, the $350.0 million of then-outstanding principal amount of 4.00% Senior Notes due December 31, 2018, at par, plus accrued interest.

In January 2018, we issued $400.0 million aggregate principal amount of 4.350% Senior Notes due 2028. The Company received $396.4 million of net proceeds from the issuance of these senior notes.

Mortgage Company Loan Facility

In October 2017, TBI Mortgage® Company ("TBI Mortgage"), our wholly owned mortgage subsidiary, entered into a mortgage warehousing agreement ("Warehousing Agreement") with a bank to finance the origination of mortgage loans by TBI Mortgage. The Warehousing Agreement is accounted for as a secured borrowing under ASC 860, "Transfers and Servicing." In December 2018, the Warehousing Agreement was amended to provide for loan purchases up to $75.0 million, subject to certain sublimits. In addition, the Warehousing Agreement, as amended, provides for an accordion feature under which TBI Mortgage may request that the aggregate commitments under the Warehousing Agreement be increased to an amount up to $150.0 million for a short period of time. In December 2019, the Warehousing Agreement was amended to extend the expiration date on substantially the same terms as the existing agreement. The Warehousing Agreement, as amended, expires on December 4, 2020, and borrowings thereunder bear interest at LIBOR plus 1.90% per annum. At October 31, 2020, the interest rate on the Warehousing Agreement was 2.04% per annum. In addition, we are subject to an under usage fee based on outstanding balances, as defined in the Warehousing Agreement. Borrowings under this facility are included in the fiscal 2021 maturities.

At each of October 31, 2020 and 2019, there was $148.6 million and $150.0 million, respectively, outstanding under the Warehousing Agreement, which are included in liabilities in our Consolidated Balance Sheets. At October 31, 2020 and 2019, amounts outstanding under the agreement were collateralized by $219.4 million and $208.6 million, respectively, of mortgage loans held for sale, which are included in assets in our Consolidated Balance Sheets. As of October 31, 2020, there were no aggregate outstanding purchase price limitations reducing the amount available to TBI Mortgage. There are several restrictions on purchased loans under the agreement, including that they cannot be sold to others, they cannot be pledged to anyone other than the agent, and they cannot support any other borrowing or repurchase agreements.

SUBSEQUENT EVENTS

In November 2020, we entered into five interest rate swap transactions to hedge $400.0 million of the Term Loan Facility through October 2025. The interest rate swaps effectively fix the interest cost on the $400.0 million at 0.369% plus the spread set forth in the pricing schedule in the Term Loan Facility, which was 1.3% as of October 31, 2020 These interest rate swaps were designated as cash flow hedges.

In December 2020, TBI Mortgage amended the Warehousing Agreement to extend the expiration date to January 18, 2021 on substantially the same terms as the existing agreement.

General

As of October 31, 2020, the annual aggregate maturities of our loans and notes during each of the next five fiscal years are as follows (amounts in thousands):

	Amount
2021	$ 260,635
2022	$ 453,134
2023	$ 452,691
2024	$ 306,070
2025	$ 59,151

7. ACCRUED EXPENSES

Accrued expenses at October 31, 2020 and 2019, consisted of the following (amounts in thousands):

	2020	2019
Land, land development and construction	$ 233,783	$ 192,658
Compensation and employee benefits	219,965	183,592
Escrow liability	23,067	31,587
Self-insurance	215,884	193,405
Warranty	157,351	201,886
Lease liabilities (1)	124,756	—
Deferred income	34,096	51,678
Interest	38,446	31,307
Commitments to unconsolidated entities	8,928	9,283
Other	53,920	55,536
	$ 1,110,196	$ 950,932

(1) On November 1, 2019, we adopted ASU 2016-02, which resulted in the establishment of lease liabilities on our Consolidated Balance Sheet as of October 31, 2020. The Consolidated Balance Sheet as of October 31, 2019 does not reflect any changes resulting from the adoption of the new standard. See Note 1, "Significant Accounting Policies – Recent Accounting Pronouncements" for additional information regarding the adoption of ASU 2016-02.

At the time each home is closed and title and possession are transferred to the home buyer, we record an initial accrual for expected warranty costs on that home. Our initial accrual for expected warranty costs is based upon historical warranty claim experience. Adjustments to our warranty liabilities related to homes delivered in prior periods are recorded in the period in which a change in our estimate occurs. The table below provides a reconciliation of the changes in our warranty accrual during fiscal 2020, 2019, and 2018 (amounts in thousands):

	2020	2019	2018
Balance, beginning of year	$ 201,886	$ 258,831	$ 329,278
Additions – homes closed during the year	36,103	35,475	37,045
Addition – liabilities acquired	190	855	—
Increase in accruals for homes closed in prior years	6,711	6,023	6,162
Decrease to water intrusion accrual	(24,400)	—	—
Charges incurred	(63,139)	(99,298)	(113,654)
Balance, end of year	$ 157,351	$ 201,886	$ 258,831

Since fiscal 2014, we have received water intrusion claims from owners of homes built since 2002 in communities located in Pennsylvania and Delaware (which are in our North region). During fiscal 2020, we continued to receive water intrusion claims from homeowners in this region, mostly related to older homes, and we continue to perform review procedures to assess, among other things, the number of affected homes, whether repairs are likely to be required, and the extent of such repairs.

Our review process, conducted quarterly, includes an analysis of many factors applicable to these communities to determine whether a claim is likely to be received and the estimated costs to resolve any such claim, including: the closing dates of the homes; the number of claims received; our inspection of homes; an estimate of the number of homes we expect to repair; the type and cost of repairs that have been performed in each community; the estimated costs to remediate pending and future claims; the expected recovery from our insurance carriers and suppliers; and the previously recorded amounts related to these claims. We also monitor legal developments relating to these types of claims and review the volume, relative merits and adjudication of claims in litigation or arbitration.

From October 31, 2016 through the second quarter of fiscal 2020, our recorded aggregate estimated repair costs to be incurred for known and unknown water intrusion claims was $324.4 million and our recorded aggregate expected recoveries from insurance carriers and suppliers were approximately $152.6 million. Based on trends in claims experience over several years and lower than anticipated repair costs, in the second fiscal quarter of 2020, we reduced the estimate of the aggregate estimated repair costs to be incurred for known and unknown water intrusion claims by $24.4 million. Because this reduction was associated with periods in which we expect our insurance deductibles and self-insured retentions to be exhausted, we reduced our aggregate expected recoveries from insurance carriers and suppliers by a corresponding $24.4 million. Our recorded remaining estimated repair costs, which reflects a reduction for the aggregate amount expended to resolve claims, were approximately $79.5 million at October 31, 2020 and $124.6 million at October 31, 2019. Our recorded remaining expected recoveries from insurance carriers and suppliers were approximately $68.4 million at October 31, 2020 and $97.9 million at October 31, 2019.

As noted above, our review process includes a number of estimates that are based on assumptions with uncertain outcomes, including, but not limited to, the number of homes to be repaired, the extent of repairs needed, the repair procedures employed, the cost of those repairs, outcomes of litigation or arbitrations, and expected recoveries from insurance carriers and suppliers. Due to the degree of judgment required in making these estimates and the inherent uncertainty in potential outcomes, it is reasonably possible that our actual costs and recoveries could differ from those recorded and such differences could be material. In addition, due to such uncertainty, we are unable to estimate the range of any such differences. With respect to our insurance receivables, disputes between homebuilders and carriers over coverage positions relating to construction defect claims are common, and resolution of claims with carriers involves the exchange of significant amounts of information and frequently involves legal action. While our primary insurance carrier has funded substantially all of the water intrusion claims that we have submitted to it to date, other insurance carriers have disputed coverage for the same claims under policies that are substantially the same. As a result, we entered arbitration proceedings during the third quarter of fiscal 2019 with these carriers. Based on the legal merits that support our pending insurance claims, review by legal counsel, our history of collecting significant amounts funded by our primary carrier under policies that are substantially the same, and the high credit ratings of our insurance carriers, we believe collection of our remaining recorded insurance receivables is probable. However, due to the complexity of the underlying claims and the variability of the other factors described above, it is reasonably possible that our actual insurance recoveries could materially differ from those recorded. Resolution of these known and unknown claims is expected to take several years.

8. INCOME TAXES

The following table provides a reconciliation of our effective tax rate from the federal statutory tax rate for the fiscal years ended October 31, 2020, 2019, and 2018 ($ amounts in thousands):

	2020		2019		2018	
	$	%*	$	%*	$	%*
Federal tax provision at statutory rate	123,249	21.0	165,306	21.0	217,914	23.3
State tax provision, net of federal benefit	25,793	4.4	37,898	4.8	47,073	5.0
Domestic production activities deduction	—	—	—	—	(18,168)	(1.9)
Other permanent differences	4,755	0.8	4,866	0.6	(2,322)	(0.2)
Reversal of accrual for uncertain tax positions	(1,749)	(0.3)	(5,348)	(0.7)	(4,741)	(0.5)
Accrued interest on anticipated tax assessments	404	0.1	453	0.1	737	0.1
Increase in unrecognized tax benefits	—	—	2,153	0.3	1,122	0.1
Changes in tax law	—	—	(523)	(0.1)	(38,740)	(4.1)
Excess stock compensation benefit	(3,339)	(0.6)	(2,143)	(0.3)	(4,236)	(0.5)
Energy tax credits	(11,467)	(2.0)	(3,123)	(0.4)	(3,231)	(0.4)
Other	2,631	0.5	(2,376)	(0.3)	(9,643)	(1.0)
Income tax provision*	140,277	23.9	197,163	25.0	185,765	19.9

*Due to rounding, percentages may not add.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted into law, which changed many longstanding foreign and domestic corporate and individual tax rules, as well as rules pertaining to the deductibility of employee compensation and benefits. The Tax Act, among other changes, reduced the corporate income tax rate from 35% to 21% and repealed the domestic production activities deduction effective for tax years beginning after December 31, 2017. For companies with a fiscal year that does not end on December 31, the change in law requires the application of a blended tax rate for the year of the change. Our blended tax rate for our fiscal year ending October 31, 2018 was 23.3%. Thereafter, the applicable statutory rate is 21%. ASC 740, "Income Taxes" ("ASC 740"), requires all companies to reflect the effects of the new law in the period in which the law was enacted. Accordingly, we reduced the statutory tax rate applied to earnings from 35% in fiscal 2017 to 23.3% in fiscal 2018 and to 21% in fiscal 2019. In addition, we remeasured our net deferred tax liability for the tax law change, which resulted in an income tax benefit of $35.5 million in fiscal 2018.

We are subject to state tax in the jurisdictions in which we operate. We estimate our state tax liability based upon the individual taxing authorities' regulations, estimates of income by taxing jurisdiction, and our ability to utilize certain tax-saving strategies. Based on our estimate of the allocation of income or loss among the various taxing jurisdictions and changes in tax regulations and their impact on our tax strategies, we estimated that our rate for state income taxes, before federal benefit, will be 5.6% in fiscal 2020. Our state income tax rate, before federal benefit, was 6.1% and 6.6% in fiscal 2019 and 2018, respectively.

The following table provides information regarding the provision (benefit) for income taxes for each of the fiscal years ended October 31, 2020, 2019, and 2018 (amounts in thousands):

	2020	2019	2018
Federal	$ 114,204	$ 161,904	$ 157,836
State	26,073	35,259	27,929
	$ 140,277	$ 197,163	$ 185,765
Current	$ 42,497	$ 94,399	$ 207,695
Deferred	97,780	102,764	(21,930)
	$ 140,277	$ 197,163	$ 185,765

The components of income taxes payable at October 31, 2020 and 2019 are set forth below (amounts in thousands):

	2020	2019
Current	$ 6,591	$ 7,897
Deferred	192,383	95,074
	$ 198,974	$ 102,971

The following table provides a reconciliation of the change in the unrecognized tax benefits for the years ended October 31, 2020, 2019, and 2018 (amounts in thousands):

	2020	2019	2018
Balance, beginning of year	$ 7,897	$ 12,222	$ 16,993
Increase in benefit as a result of tax positions taken in prior years	512	2,148	2,140
Increase in benefit as a result of tax positions taken in current year	306	1,126	949
Decrease in benefit as a result of settlements		(2,670)	(4,707)
Decrease in benefit as a result of lapse of statute of limitations	(2,124)	(4,929)	(3,153)
Balance, end of year	$ 6,591	$ 7,897	$ 12,222

The statute of limitations has expired on our federal tax returns for fiscal years through 2016. The statue of limitations for our major state tax jurisdictions remains open for examination for fiscal year 2015 and subsequent years.

Our unrecognized tax benefits are included in the current portion of "Income taxes payable" on our Consolidated Balance Sheets. If these unrecognized tax benefits reverse in the future, they would have a beneficial impact on our effective tax rate at that time. During the next 12 months, it is reasonably possible that the amount of unrecognized tax benefits will change, but we are not able to provide a range of such change. The anticipated changes will be principally due to the expiration of tax statutes, settlements with taxing jurisdictions, increases due to new tax positions taken, and the accrual of estimated interest and penalties.

The amounts accrued for interest and penalties are included in the current portion of "Income taxes payable" on our Consolidated Balance Sheets. The following table provides information as to the amounts recognized in our tax provision, before reduction for applicable taxes and reversal of previously accrued interest and penalties, of potential interest and penalties in the fiscal years ended October 31, 2020, 2019, and 2018, and the amounts accrued for potential interest and penalties at October 31, 2020 and 2019 (amounts in thousands):

Expense recognized in the Consolidated Statements of Operations and Comprehensive Income	
Fiscal year	
2020	$ 512
2019	$ 593
2018	$ 1,152

Accrued at:	
October 31, 2020	$ 1,270
October 31, 2019	$ 1,169

The components of net deferred tax assets and liabilities at October 31, 2020 and 2019 are set forth below (amounts in thousands):

	2020	2019
Deferred tax assets:		
Accrued expenses	$ 57,089	$ 54,162
Impairment charges	42,956	43,583
Inventory valuation differences	48,276	55,313
Stock-based compensation expense	19,905	23,928
Amounts related to unrecognized tax benefits	319	311
State tax, net operating loss carryforwards	68,705	67,718
Other	1,830	18
Total assets	239,080	245,033
Deferred tax liabilities:		
Capitalized interest	37,697	44,196
Deferred income	351,589	277,005
Expenses taken for tax purposes not for book	5,346	3,571
Depreciation	23,567	5,024
Deferred marketing	13,264	10,311
Total liabilities	431,463	340,107
Net deferred tax liabilities	(192,383)	(95,074)

In accordance with GAAP, we assess whether a valuation allowance should be established based on our determination of whether it is more-likely-than-not that some portion or all of the deferred tax assets would not be realized. At October 31, 2020 and 2019, we determined that it was more-likely-than-not that our deferred tax assets would be realized. Accordingly, at October 31, 2020 and 2019, we did not have valuation allowances recorded against our federal or state deferred tax assets.

We file tax returns in the various states in which we do business. Each state has its own statutes regarding the use of tax loss carryforwards. Some of the states in which we do business do not allow for the carryforward of losses, while others allow for carryforwards for 5 years to 20 years.

9. STOCKHOLDERS' EQUITY

Our authorized capital stock consists of 400 million shares of common stock, $0.01 par value per share ("common stock"), and 15 million shares of preferred stock, $0.01 par value per share. At October 31, 2020, we had 126.5 million shares of common stock issued and outstanding, 5.1 million shares of common stock reserved for outstanding stock options and restricted stock units, 6.7 million shares of common stock reserved for future stock option and award issuances, and 352,000 shares of common stock reserved for issuance under our employee stock purchase plan. As of October 31, 2020, no shares of preferred stock have been issued.

Cash Dividends

On February 21, 2017, our Board of Directors approved the initiation of quarterly cash dividends to shareholders. During the fiscal years ended October 31, 2020 and 2019, we declared and paid aggregate cash dividends of $0.44 and $0.44 per share, respectively, to our shareholders.

Stock Repurchase Program

In each year since fiscal 2017, our Board of Directors has renewed its authorization to repurchase up to 20 million shares of our common stock in open market transactions, privately negotiated transactions (including accelerated share repurchases), issuer tender offers or other financial arrangements or transactions for general corporate purposes, including to obtain shares for the Company's equity award and other employee benefit plans. Most recently, on March 10, 2020, our Board of Directors authorized the repurchase of 20 million shares of our common stock and terminated, effective the same date, the existing authorization that had been in effect since December 11, 2019. The Board of Directors did not fix any expiration date for this repurchase program.

The following table provides information about the share repurchase programs for the fiscal years ended October 31, 2020, 2019, and 2018:

	2020	2019	2018
Number of shares purchased (in thousands)	15,952	6,619	12,108
Average price per share	$ 39.75	$ 35.28	$ 41.56
Remaining authorization at October 31 (in thousands)	19,984	13,953	10,989

Subsequent to October 31, 2020 and through December 21, 2020, we repurchased approximately 2.4 million shares of our common stock at an average price of $45.04 per share, substantially all of which were purchased under the repurchase program authorized by our Board of Directors on March 10, 2020.

Transfer Restriction

On March 17, 2010, our Board of Directors adopted a Certificate of Amendment to the Second Restated Certificate of Incorporation of the Company (the "Certificate of Amendment"). The Certificate of Amendment includes an amendment approved by our stockholders at the 2010 Annual Meeting of Stockholders that restricts certain transfers of our common stock. The Certificate of Amendment's transfer restrictions generally restrict any direct or indirect transfer of our common stock if the effect would be to increase the direct or indirect ownership of any Person (as defined in the Certificate of Amendment) from less than 4.95% to 4.95% or more of our common stock or increase the ownership percentage of a Person owning or deemed to own 4.95% or more of our common stock. Any direct or indirect transfer attempted in violation of this restriction would be void as of the date of the prohibited transfer as to the purported transferee.

10. STOCK-BASED BENEFIT PLANS

We grant stock options, restricted stock, and various types of restricted stock units to our employees and our non-employee directors under our stock incentive plans. On March 12, 2019, shareholders approved the Toll Brothers, Inc. 2019 Omnibus Incentive Plan (the "Omnibus Plan"), which, succeeded the Toll Brothers, Inc. Stock Incentive Plan for Employees (2014) and the Toll Brothers, Inc. Stock Incentive Plan for Non-Executive Directors (2016) with respect to prospective equity awards, and no additional equity awards may be granted under such prior plans. As a result, the Omnibus Plan is the sole plan out of which new equity awards may be granted to employees (including executive officers), directors and other eligible participants under the plan. The Omnibus Plan provides for the granting of incentive stock options (solely to employees) and nonqualified stock options with a term of up to 10 years at a price not less than the market price of the stock at the date of grant. The Omnibus Plan also provide for the issuance of stock appreciation rights and restricted and unrestricted stock awards and stock units, which may be performance-based. At October 31, 2020, 2019, and 2018, we had 6.7 million; 7.7 million; and 5.1 million shares, respectively, available for grant under the plans.

Prior to the adoption of the Omnibus Plan, the Company had granted equity awards under four separate stock incentive plans for employees, officers, and directors with respect to which equity awards remained outstanding as of October 31, 2020. No additional equity awards may be granted under these plans. Stock options granted under these plans were made with a term of up to 10 years at a price not less than the market price of the stock at the date of grant. Stock options and restricted stock units granted under these plans generally vested over a four-year period for employees and a two-year period for non-employee directors.

The following table provides information regarding the amount of total stock-based compensation expense recognized by us for fiscal 2020, 2019, and 2018 (amounts in thousands):

	2020	2019	2018
Total stock-based compensation expense recognized	$ 24,326	$ 26,180	$ 28,312
Income tax benefit recognized	$ 6,227	$ 6,749	$ 7,902

At October 31, 2020, 2019, and 2018, the aggregate unamortized value of outstanding stock-based compensation awards was approximately $15.9 million, $18.7 million, and $20.9 million, respectively.

Information about our more significant stock-based compensation programs is outlined below.

Stock Options:

Stock options granted to employees generally vest over a four-year period, although certain grants may vest over a longer or shorter period. Stock options granted to non-employee directors generally vest over a two-year period. Shares issued upon the exercise of a stock option are either from shares held in treasury or newly issued shares.

The fair value of each option award is estimated on the date of grant using a lattice-based option valuation model that uses ranges of assumptions noted in the following table. Expected volatilities were based on implied volatilities from traded options on our stock, historical volatility of our stock, and other factors. The expected lives of options granted were derived from the historical exercise patterns and anticipated future patterns and represent the period of time that options granted are expected to be outstanding. The ranges set forth below result from certain groups of employees exhibiting different behaviors. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The following table summarizes the weighted-average assumptions and fair value used for stock option grants in each of the fiscal years ended October 31, 2020, 2019, and 2018:

	2020	2019	2018
Expected volatility	27.42% – 28.30%	28.61% – 31.34%	27.66% – 31.83%
Weighted-average volatility	27.42%	30.46%	30.33%
Risk-free interest rate	1.72% – 1.78%	2.65% – 2.76%	2.17% – 2.35%
Expected life (years)	4.64 – 5.76	4.63 – 8.50	5.00 – 8.50
Dividends	1.11%	1.36%	none
Weighted-average fair value per share of options granted	$ 9.68	$ 10.22	$ 16.09

The fair value of stock option grants is recognized evenly over the vesting period of the options or over the period between the grant date and the time the option becomes nonforfeitable by the employee, whichever is shorter. Information regarding the stock compensation expense related to stock options for fiscal 2020, 2019 and 2018 was as follows (amounts in thousands):

	2020	2019	2018
Stock compensation expense recognized – options	$ 3,144	$ 5,181	$ 7,497

At October 31, 2020, total compensation cost related to nonvested stock option awards not yet recognized was approximately $2.5 million, and the weighted-average period over which we expect to recognize such compensation costs was approximately 1.1 years.

The following table summarizes stock option activity for our plans during each of the fiscal years ended October 31, 2020, 2019, and 2018 (amounts in thousands, except per share amounts):

	2020		2019		2018	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Balance, beginning	4,780	$ 30.59	5,503	$ 28.84	6,120	$ 27.60
Granted	118	39.51	344	32.42	210	47.84
Exercised	(1,284)	24.50	(1,044)	21.87	(797)	24.16
Canceled	(54)	33.83	(23)	34.47	(30)	33.08
Balance, ending	3,560	$ 33.03	4,780	$ 30.59	5,503	$ 28.84
Options exercisable, at October 31,	2,969	$ 32.38	3,799	$ 29.52	4,231	$ 27.03

The weighted average remaining contractual life (in years) for options outstanding and exercisable at October 31, 2020, was 4.7 and 4.1, respectively.

The intrinsic value of options outstanding and exercisable is the difference between the fair market value of our common stock on the applicable date ("Measurement Value") and the exercise price of those options that had an exercise price that was less than the Measurement Value. The intrinsic value of options exercised is the difference between the fair market value of our common stock on the date of exercise and the exercise price.

The following table provides information pertaining to the intrinsic value of options outstanding and exercisable at October 31, 2020, 2019, and 2018 (amounts in thousands):

	2020	2019	2018
Intrinsic value of options outstanding	$ 34,058	$ 45,551	$ 30,477
Intrinsic value of options exercisable	$ 29,961	$ 39,350	$ 29,010

Information pertaining to the intrinsic value of options exercised and the fair market value of options that became vested or modified in each of the fiscal years ended October 31, 2020, 2019, and 2018, is provided below (amounts in thousands):

	2020	2019	2018
Intrinsic value of options exercised	$ 23,281	$ 16,491	$ 18,165
Fair market value of options vested	$ 5,926	$ 7,723	$ 10,007

Our stock option plans permit optionees to exercise stock options using a "net exercise" method at the discretion of the Executive Compensation Committee of the Board of Directors ("Executive Compensation Committee"). In a net exercise, we withhold from the total number of shares that otherwise would be issued to an optionee upon exercise of the stock option that number of shares having a fair market value at the time of exercise equal to the option exercise price and applicable minimum income tax withholdings and remit the remaining shares to the optionee. In fiscal 2018, the net exercise method was not utilized to exercise options.

The following table provides information regarding the use of the net exercise method for fiscal 2020 and 2019:

	2020	2019
Options exercised	100,000	33,250
Shares withheld	65,487	21,842
Shares issued	34,513	11,408
Average fair market value per share withheld	$ 43.11	$ 33.03
Aggregate fair market value of shares withheld (in thousands)	$ 2,823	$ 721

Performance-Based Restricted Stock Units:

In fiscal 2020, 2019, and 2018, the Executive Compensation Committee approved awards of performance-based restricted stock units ("Performance-Based RSUs") relating to shares of our common stock to certain members of our senior management. The number of shares earned for Performance-Based RSUs are based on the attainment of certain operational performance metrics approved by the Executive Compensation Committee in the year of grant. The number of shares underlying the Performance-Based RSUs that may be issued to the recipients ranges from, 0% to 150% for grants awarded in fiscal 2020 and 2019 and 0% to 110% for grants awarded in fiscal 2018, of the base award depending on actual achievement as compared to the target performance goals. Shares earned based on actual performance generally vest pro-rata over a four-year period provided the recipients continue to be employed by us as specified in the award document.

The value of the Performance-Based RSUs was determined to be equal to the estimated number of shares of our common stock to be issued multiplied by the closing price of our common stock on the New York Stock Exchange ("NYSE") on the date the Performance-Based RSU awards were approved by the Executive Compensation Committee ("Valuation Date"), adjusted for post-vesting restrictions applicable to retirement eligible participants. We evaluate the performance goals quarterly and estimate the number of shares underlying the Performance-Based RSUs that are probable of being issued. The following table provides information regarding the issuance, valuation assumptions, and amortization of the Performance-Based RSUs issued in fiscal 2020, 2019, and 2018:

	2020	2019	2018
Number of shares underlying Performance-Based RSUs to be issued	116,423	158,721	135,554
Aggregate number of Performance-Based RSUs outstanding at October 31	579,115	645,538	786,857
Weighted-average fair value per share of Performance-Based RSUs	$ 32.55	$ 34.86	$ 47.84
Aggregate grant date fair value of Performance-Based RSUs issued (in thousands)	$ 3,790	$ 5,533	$ 6,485
Performance-Based RSU expense recognized (in thousands)	$ 5,986	$ 5,514	$ 6,949
Unamortized value of Performance-Based RSUs at October 31 (in thousands)	$ 1,674	$ 3,431	$ 3,824

Shares earned with respect to Performance-Based RSUs issued in December 2013, 2014, and 2015 were delivered in fiscal 2018, 2019, and 2020, respectively. The recipients of these Performance-Based RSUs elected to use a portion of the shares underlying the Performance-Based RSUs to pay the required income withholding taxes on the payout. In fiscal 2020, the gross value of the payout was $7.2 million (182,846 shares), the minimum income tax withholding was $3.0 million (75,206 shares) and the net value of the shares delivered was $4.3 million (107,640 shares). In fiscal 2019, the gross value of the payout was $9.7 million (300,040 shares), the minimum income tax withholding was $4.0 million (123,409 shares) and the net value of the shares delivered was $5.7 million (176,631 shares). In fiscal 2018, the gross value of the payout was $13.7 million (288,814 shares), the minimum income tax withholding was $6.0 million (126,330 shares) and the net value of the shares delivered was $7.7 million (162,484 shares).

Total Shareholder Return Restricted Stock Units:

In fiscal 2020, 2019, and 2018, the Executive Compensation Committee approved awards of relative total shareholder return performance-based restricted stock units ("TSR RSUs") relating to 37,527, 48,710 and 39,411 target shares, respectively, of our common stock to certain members of our senior management. Shares underlying the TSR RSUs granted are earned by comparing our total shareholder return during specified performance periods to the total shareholder returns of companies in a performance peer group as defined in the award document. The specified performance periods are as follows:

	Performance Period	Target Number of TSR RSUs issued
Fiscal 2020	November 1, 2019 to October 31, 2022	37,527
Fiscal 2019	November 1, 2018 to October 31, 2021	48,710
Fiscal 2018	November 1, 2017 to October 31, 2020	39,411

The TSR RSUs generally vest at the end of a 3-year period provided the recipients continue to be employed by us as specified in the award document. Based upon our ranking in the performance peer group, the recipient of the TSR RSUs may earn a total award ranging from 0% to 150% for awards granted in fiscal 2020 and 2019 and 0% to 200% for awards granted in fiscal 2018, of the target number of TSR RSUs granted. In fiscal 2020, recipients of the fiscal 2018 TSR RSUs earned 0% of the target based on total shareholder return ranking in the performance peer group during the three-year period ending October 31, 2020. In fiscal 2019, recipients of the fiscal 2017 TSR RSUs earned 0% of the target based on total shareholder return ranking in the performance peer group during the three-year period ending October 31, 2019. In fiscal 2018, recipients earned 76.81% of the 52,679 target TSR RSUs awarded in fiscal 2016 based upon our total shareholder return ranking in the performance peer group during the three-year period ended October 31, 2018.

We estimated the fair value of the TSR RSUs at the grant date using a Monte Carlo simulation. The following table summarizes the assumptions used in the Monte Carlo simulation and the fair value per share of the TSR RSUs granted in fiscal 2020, 2019, and 2018:

	2020	2019	2018
Weighted-average volatility	27.96%	29.06%	26.58%
Risk-free interest rate	1.66%	2.64%	1.92%
Dividends	none	none	none
Weighted-average fair value per share of TSR RSUs	$ 37.66	$ 36.46	$ 52.62

The length of each performance period was used as the expected term in the simulation for each respective tranche.

The following table provides information on expense recognized and the unamortized value of our TSR RSUs for fiscal 2020, 2019, and 2018 (amounts in thousands):

	2020	2019	2018
TSR RSUs expense recognized	$ 2,264	$ 1,673	$ 2,502
Unamortized value of TSR RSUs at October 31	$ 716	$ 1,875	$ 1,773

Our stock incentive plans permit us to withhold from the total number of shares that otherwise would be issued to a TSR RSU recipient upon distribution that number of shares having a fair value at the time of distribution equal to the applicable income tax withholdings due and remit the remaining shares to the restricted stock unit recipient. The following table provides information regarding the number of shares withheld, the income tax withholding due, and the remaining shares issued to the recipients for fiscal 2019:

	2019
Number of shares withheld	16,643
Income tax withholdings due	$ 537,902
Remaining shares issued to the recipients	23,817

Time-Based Restricted Stock Units:

In fiscal 2020, 2019, and 2018, we issued time-based restricted stock units ("Time-Based RSUs") to various officers, employees, and non-employee directors. These Time-Based RSUs generally vest in annual installments over a two- to four-year period. The value of the Time-Based RSUs was determined to be equal to the number of shares of our common stock underlying the Time-Based RSUs multiplied by the closing price of our common stock on the NYSE on the date the Time- Based RSUs were awarded, adjusted for post-vesting restrictions applicable to retirement eligible participants. The following table provides information regarding these Time-Based RSUs for fiscal 2020, 2019, and 2018:

	2020	2019	2018
Time-Based RSUs issued:			
Number of Time-Based RSUs issued	461,280	449,380	296,790
Weighted-average fair value per share of Time-Based RSUs	$ 37.43	$ 33.04	$ 47.84
Aggregate fair value of Time-Based RSUs issued (in thousands)	$ 17,267	$ 14,848	$ 14,198
Time-Based RSU expense recognized (in thousands)	$ 12,744	$ 13,627	$ 11,193

	2020	2019	2018
At October 31:			
Aggregate number of Time-Based RSUs outstanding	1,315,371	1,137,936	850,853
Cumulative unamortized value of Time-Based RSUs (in thousands)	$ 10,972	$ 8,694	$ 8,818

Our stock incentive plans permit us to withhold from the total number of shares that otherwise would be issued to a restricted stock unit recipient upon distribution that number of shares having a fair value at the time of distribution equal to the applicable income tax withholdings due and remit the remaining shares to the restricted stock unit recipient. The following table provides information regarding the number of shares withheld, the income tax withholding due, and the remaining shares issued to the recipients for fiscal 2020, 2019, and 2018:

	2020	2019	2018
Number of shares withheld	58,356	29,681	23,289
Income tax withholdings due	$ 2,214	$ 1,042	$ 1,145
Remaining shares issued to the recipients	236,697	82,795	58,552

Employee Stock Purchase Plan

Our employee stock purchase plan enables substantially all employees to purchase our common stock at 95% of the market price of the stock on specified offering dates without restriction or at 85% of the market price of the stock on specified offering dates subject to restrictions. The plan, which terminates in December 2027, provides that 500,000 shares be reserved for purchase. At October 31, 2020, 352,000 shares were available for issuance.

The following table provides information regarding our employee stock purchase plan for fiscal 2020, 2019, and 2018:

	2020	2019	2018
Shares issued	54,235	41,744	35,471
Average price per share	$ 26.10	$ 31.80	$ 34.08
Compensation expense recognized (in thousands)	$ 189	$ 184	$ 171

11. EARNINGS PER SHARE INFORMATION

Information pertaining to the calculation of earnings per share for each of the fiscal years ended October 31, 2020, 2019, and 2018, is as follows (amounts in thousands):

	2020	2019	2018
Numerator:			
Net income as reported	$ 446,624	$ 590,007	$ 748,151
Denominator:			
Basic weighted-average shares	130,095	145,008	151,984
Common stock equivalents (a)	1,152	1,493	2,217
Diluted weighted-average shares	131,247	146,501	154,201
Other information:			
Weighted-average number of antidilutive options and restricted stock units (b)	2,141	1,156	813
Shares issued under stock incentive and employee stock purchase plans	1,541	1,394	1,066

(a) Common stock equivalents represent the dilutive effect of outstanding in-the-money stock options using the treasury stock method and shares expected to be issued under our restricted stock units programs.
(b) Weighted-average number of antidilutive options and restricted stock units are based upon the average of the average quarterly closing prices of our common stock on the NYSE for the year.

12. FAIR VALUE DISCLOSURES

Financial Instruments

A summary of assets and (liabilities) at October 31, 2020 and 2019, related to our financial instruments, measured at fair value on a recurring basis, is set forth below (amounts in thousands):

		Fair Value	
Financial Instrument	Fair value hierarchy	October 31, 2020	October 31, 2019
Residential Mortgage Loans Held for Sale	Level 2	$ 231,797	$ 218,777
Forward Loan Commitments – Residential Mortgage Loans Held for Sale	Level 2	$ (31)	$ 298
Interest Rate Lock Commitments (“IRLCs”)	Level 2	$ 628	$ 964
Forward Loan Commitments – IRLCs	Level 2	$ (628)	$ (964)

At October 31, 2020 and 2019, the carrying value of cash and cash equivalents and customer deposits held in escrow approximated fair value.

Mortgage Loans Held for Sale

At the end of the reporting period, we determine the fair value of our mortgage loans held for sale and the forward loan commitments we have entered into as a hedge against the interest rate risk of our mortgage loans and commitments using the market approach to determine fair value. The evaluation is based on the current market pricing of mortgage loans with similar terms and values as of the reporting date and the application of such pricing to the mortgage loan portfolio. We recognize the difference between the fair value and the unpaid principal balance of mortgage loans held for sale as a gain or loss. In addition, we recognize the change in fair value of our forward loan commitments as a gain or loss. These gains and losses are included in “Other income – net” in our Consolidated Statements of Operations and Comprehensive Income. Interest income on mortgage loans held for sale is calculated based upon the stated interest rate of each loan and is also included in “Other income – net.”

The table below provides, for the periods indicated, the aggregate unpaid principal and fair value of mortgage loans held for sale as of the date indicated (amounts in thousands):

At October 31,	Aggregate unpaid principal balance	Fair value	Excess
2020	$ 225,826	$ 231,797	$ 5,971
2019	$ 216,280	$ 218,777	$ 2,497

IRLCs represent individual borrower agreements that commit us to lend at a specified price for a specified period as long as there is no violation of any condition established in the commitment contract. These commitments have varying degrees of interest rate risk. We utilize best-efforts forward loan commitments (“Forward Commitments”) to hedge the interest rate risk of the IRLCs and residential mortgage loans held for sale. Forward Commitments represent contracts with third-party investors for the future delivery of loans whereby we agree to make delivery at a specified future date at a specified price. The IRLCs and Forward Commitments are considered derivative financial instruments under ASC 815, “Derivatives and Hedging,” which requires derivative financial instruments to be recorded at fair value. We estimate the fair value of such commitments based on the estimated fair value of the underlying mortgage loan and, in the case of IRLCs, the probability that the mortgage loan will fund within the terms of the IRLC. The fair values of IRLCs and forward loan commitments are included in either “Receivables, prepaid expenses and other assets” or “Accrued expenses” in our Consolidated Balance Sheets, as appropriate. To manage the risk of non-performance of investors regarding the Forward Commitments, we assess the creditworthiness of the investors on a periodic basis.

Inventory

We recognize inventory impairment charges based on the difference in the carrying value of the inventory and its fair value at the time of the evaluation. The fair value of the aforementioned inventory was determined using Level 3 criteria. Estimated fair value is primarily determined by discounting the estimated future cash flow of each community. See Note 1, “Significant Accounting Policies - Inventory,” for additional information regarding our methodology on determining fair value. As further discussed in Note 1, determining the fair value of a community’s inventory involves a number of variables, many of which are interrelated. If we used a different input for any of the various unobservable inputs used in our impairment analysis, the results of the analysis may have been different, absent any other changes. The table below summarizes, for the periods indicated, the ranges of certain quantitative unobservable inputs utilized in determining the fair value of impaired operating communities:

Three months ended:	Selling price per unit ($ in thousands)	Sales pace per year (in units)	Discount rate
Fiscal 2020			
January 31	—	—	—
April 30	613 - 789	9	14.3%
July 31	—	—	—
October 31	—	—	—
Fiscal 2019			
January 31	836 – 13,495	2 – 12	12.5% – 15.8%
April 30	372 – 1,915	2 – 19	12.0% – 26.0%
July 31	530 – 1,113	2 – 9	7.8% – 13.0%
October 31	478 – 857	2 – 5	13.8% – 14.5%

In fiscal 2020, we recognized $31.7 million of impairment charges on land owned for future communities relating to nine communities. As of the period the impairment charges were recognized, the estimated fair value of these communities in the aggregate, net of impairment charges, was $21.8 million. For the majority of these communities, the estimated fair values were determined based upon the expected sales price per lot in a community sale to another builder. The range of sales price per lot utilized in determining fair values in fiscal 2020 was approximately $33,000 - $180,000 per lot. There were no impairment charges on land owned for future communities in 2019 and $2.2 million recognized in fiscal 2018.

The table below provides, for the periods indicated, the number of operating communities that we reviewed for potential impairment, the number of operating communities in which we recognized impairment charges, the amount of impairment charges recognized, and, as of the end of the period indicated, the fair value of those communities, net of impairment charges ($ amounts in thousands):

		Impaired operating communities		
Three months ended:	Number of communities tested	Number of communities	Fair value of communities, net of impairment charges	Impairment charges recognized
Fiscal 2020:				
January 31	65	—	$ —	$ —
April 30	80	1	$ 2,754	300
July 31	66	—	$ —	—
October 31	53	1	$ 1,113	375
				$ 675
Fiscal 2019:				
January 31	49	5	$ 37,282	$ 5,785
April 30	64	6	$ 36,159	17,495
July 31	69	3	$ 5,436	1,100
October 31	71	7	$ 18,910	6,695
				$ 31,075
Fiscal 2018:				
January 31	64	5	$ 13,318	$ 3,736
April 30	65	4	$ 21,811	13,325
July 31	55	5	$ 43,063	9,065
October 31	43	6	$ 24,692	4,025
				$ 30,151

Debt

The table below provides, as of the dates indicated, the book value and estimated fair value of our debt at October 31, 2020 and 2019 (amounts in thousands):

		2020		2019	
	Fair value hierarchy	Book value	Estimated fair value	Book value	Estimated fair value
Loans payable (a)	Level 2	$ 1,151,257	$ 1,157,315	$ 1,114,577	$ 1,112,040
Senior notes (b)	Level 1	2,669,876	2,888,822	2,669,876	2,823,043
Mortgage company loan facility (c)	Level 2	148,611	148,611	150,000	150,000
		$3,969,744	$ 4,194,748	$ 3,934,453	$ 4,085,083

(a) The estimated fair value of loans payable was based upon contractual cash flows discounted at interest rates that we believed were available to us for loans with similar terms and remaining maturities as of the applicable valuation date.
(b) The estimated fair value of our senior notes is based upon their market prices as of the applicable valuation date.
(c) We believe that the carrying value of our mortgage company loan borrowings approximates their fair value.

13. EMPLOYEE RETIREMENT AND DEFERRED COMPENSATION PLANS

Salary Deferral Savings Plans

We maintain salary deferral savings plans covering substantially all employees. We recognized an expense, net of plan forfeitures, with respect to the plans of $6.1 million, $14.1 million, and $12.6 million for the fiscal years ended October 31, 2020, 2019, and 2018, respectively, which is included in "Selling, general and administrative" expense in the Consolidated Statements of Operations and Comprehensive Income.

Deferred Compensation Plan

We have an unfunded, nonqualified deferred compensation plan that permits eligible employees to defer a portion of their compensation. The deferred compensation, together with certain of our contributions, earns various rates of return depending upon when the compensation was deferred. A portion of the deferred compensation and interest earned may be forfeited by a participant if he or she elects to withdraw the compensation prior to the end of the deferral period. We accrued $35.1 million and $31.1 million at October 31, 2020 and 2019, respectively, for our obligations under the plan.

Defined Benefit Retirement Plans

We have two unfunded defined benefit retirement plans. Retirement benefits generally vest when the participant reaches normal retirement age. Such age was reduced from age 62 to age 58 in fiscal 2019. Unrecognized prior service costs are being amortized over the period from the date participants enter the plans until their interests are fully vested. We used a 1.95%, 2.61%, and 4.06% discount rate in our calculation of the present value of our projected benefit obligations at October 31, 2020, 2019, and 2018, respectively. The rates represent the approximate long-term investment rate at October 31 of the fiscal year for which the present value was calculated. Information related to the plans is based on actuarial information calculated as of October 31, 2020, 2019 and 2018.

Information related to our retirement plans for each of the fiscal years ended October 31, 2020, 2019, and 2018, is as follows (amounts in thousands):

	2020	2019	2018
Plan costs:			
Service cost	$ 453	$ 403	$ 568
Interest cost	1,158	1,416	1,198
Amortization of prior service cost	1,468	506	936
Amortization of unrecognized losses	23	—	17
	$ 3,102	$ 2,325	$ 2,719
Projected benefit obligation:			
Beginning of year	$ 45,070	$ 35,515	$ 38,222
Plan amendments adopted during year	2,600	4,956	—
Service cost	453	403	568
Interest cost	1,158	1,416	1,198
Benefit payments	(1,636)	(1,358)	(1,358)
Change in unrecognized gain/loss	729	4,138	(3,115)
Projected benefit obligation, end of year	$ 48,374	$ 45,070	$ 35,515
Unamortized prior service cost:			
Beginning of year	$ 5,320	$ 870	$ 1,806
Plan amendments adopted during year	2,600	4,956	—
Amortization of prior service cost	(1,468)	(506)	(936)
Unamortized prior service cost, end of year	$ 6,452	$ 5,320	$ 870
Accumulated unrecognized (loss) gain, October 31	$ (3,273)	$ (2,567)	$ 1,571
Accumulated benefit obligation, October 31	$ 48,374	$ 45,070	$ 35,515
Accrued benefit obligation, October 31	$ 48,374	$ 45,070	$ 35,515

The accrued benefit obligation is included in accrued expenses on our Consolidated Balance Sheets.

The table below provides, based upon the estimated retirement dates of the participants in the retirement plans, the amounts of benefits we would be required to pay in each of the next five fiscal years and for the five fiscal years ended October 31, 2030 in the aggregate (in thousands):

Year ending October 31,	Amount
2021	$ 1,930
2022	$ 2,851
2023	$ 3,148
2024	$ 3,180
2025	$ 3,314
November 1, 2025 – October 31, 2030	$ 17,289

14. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

Accumulated other comprehensive (loss) income was primarily related to employee retirement plans. The tables below provide, for the fiscal years ended October 31, 2020, 2019 and 2018, the components of accumulated other comprehensive (loss) income (amounts in thousands):

	2020	2019	2018
Balance, beginning of period	$ (5,831)	$ 694	$ (1,910)
Other comprehensive (loss) income before reclassifications	(3,329)	(9,094)	3,115
Gross amounts reclassified from accumulated other comprehensive income	1,491	304	953
Income tax benefit (expense)	471	2,265	(1,142)
Other comprehensive (loss) income, net of tax	(1,367)	(6,525)	2,926
Adoption of ASU 2018-02	—	—	(322)
Balance, end of period	$ (7,198)	$ (5,831)	$ 694

Reclassifications for the amortization of the employee retirement plans are included in "Other income – net" in the Consolidated Statements of Operations and Comprehensive Income.

15. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We are involved in various claims and litigation arising principally in the ordinary course of business. We believe that adequate provision for resolution of all current claims and pending litigation has been made and that the disposition of these matters will not have a material adverse effect on our results of operations and liquidity or on our financial condition.

In March 2018, the Pennsylvania Attorney General informed the Company that it was conducting a review of our construction of stucco homes in Pennsylvania after January 1, 2005 and requested that we voluntarily produce documents and information. The Company has produced documents and information in response to this request and, in addition, has produced requested information and documents in response to a subpoena issued in the second quarter of fiscal 2019. Management cannot at this time predict the eventual scope or outcome of this matter.

Land Purchase Commitments

Generally, our agreements to acquire land parcels do not require us to purchase those land parcels, although we, in some cases, forfeit any deposit balance outstanding if and when we terminate an agreement. If market conditions are weak, approvals needed to develop the land are uncertain, or other factors exist that make the purchase undesirable, we may choose not to acquire the land. Whether a purchase agreement is legally terminated or not, we review the amount recorded for the land parcel subject to the purchase agreement to determine whether the amount is recoverable. While we may not have formally terminated the purchase agreements for those land parcels that we do not expect to acquire, we write off any nonrefundable deposits and costs previously capitalized to such land parcels in the periods that we determine such costs are not recoverable.

Information regarding our land purchase commitments at October 31, 2020 and 2019, is provided in the table below (amounts in thousands):

	2020	2019
Aggregate purchase commitments:		
Unrelated parties	$ 2,630,128	$ 2,349,900
Unconsolidated entities that the Company has investments in	10,097	10,826
Total	$ 2,640,225	$ 2,360,726
Deposits against aggregate purchase commitments	$ 223,571	$ 168,778
Additional cash required to acquire land	2,416,654	2,191,948
Total	$ 2,640,225	$ 2,360,726
Amount of additional cash required to acquire land included in accrued expenses	$ 19,590	$ 14,620

In addition, we expect to purchase approximately 2,100 additional home sites over a number of years from several joint ventures in which we have investments; the purchase prices of these home sites will be determined at a future date.

At October 31, 2020, we also had purchase commitments to acquire land for apartment developments of approximately $111.3 million, of which we had outstanding deposits in the amount of $6.5 million.

We have additional land parcels under option that have been excluded from the aforementioned aggregate purchase amounts since we do not believe that we will complete the purchase of these land parcels and no additional funds will be required from us to terminate these contracts.

Investments in Unconsolidated Entities

At October 31, 2020, we had investments in a number of unconsolidated entities, were committed to invest or advance additional funds, and had guaranteed a portion of the indebtedness and/or loan commitments of these entities. See Note 4, "Investments in Unconsolidated Entities," for more information regarding our commitments to these entities.

Surety Bonds and Letters of Credit

At October 31, 2020, we had outstanding surety bonds amounting to $742.9 million, primarily related to our obligations to governmental entities to construct improvements in our communities. We estimate that $356.9 million of work remains on these improvements. We have an additional $182.1 million of surety bonds outstanding that guarantee other obligations. We do not believe it is probable that any outstanding bonds will be drawn upon.

At October 31, 2020, we had outstanding letters of credit of $119.0 million under our Revolving Credit Facility. These letters of credit were issued to secure our various financial obligations, including insurance policy deductibles and other claims, land deposits, and security to complete improvements in communities in which we are operating. We do not believe that it is probable that any outstanding letters of credit will be drawn upon.

Backlog

At October 31, 2020, we had agreements of sale outstanding to deliver 7,791 homes with an aggregate sales value of $6.37 billion.

Mortgage Commitments

Our mortgage subsidiary provides mortgage financing for a portion of our home closings. For those home buyers to whom our mortgage subsidiary provides mortgages, we determine whether the home buyer qualifies for the mortgage based upon information provided by the home buyer and other sources. For those home buyers who qualify, our mortgage subsidiary provides the home buyer with a mortgage commitment that specifies the terms and conditions of a proposed mortgage loan based upon then-current market conditions. Prior to the actual closing of the home and funding of the mortgage, the home buyer will lock in an interest rate based upon the terms of the commitment. At the time of rate lock, our mortgage subsidiary agrees to sell the proposed mortgage loan to one of several outside recognized mortgage financing institutions ("investors") that is willing to honor the terms and conditions, including interest rate, committed to the home buyer. We believe that these investors have adequate financial resources to honor their commitments to our mortgage subsidiary.

Mortgage loans are sold to investors with limited recourse provisions derived from industry-standard representations and warranties in the relevant agreements. These representations and warranties primarily involve the absence of misrepresentations by the borrower or other parties, the appropriate underwriting of the loan and in some cases, a required minimum number of payments to be made by the borrower. The Company generally does not retain any other continuing interest related to mortgage loans sold in the secondary market.

Information regarding our mortgage commitments at October 31, 2020 and 2019, is provided in the table below (amounts in thousands):

	2020	2019
Aggregate mortgage loan commitments:		
IRLCs	$ 381,116	$ 565,634
Non-IRLCs	1,688,801	1,364,972
Total	$ 2,069,917	$ 1,930,606
Investor commitments to purchase:		
IRLCs	$ 381,116	$ 565,634
Mortgage loans receivable	217,876	208,591
Total	$ 598,992	$ 774,225

Lease Commitments

We lease certain facilities, equipment, and properties held for rental apartment operation or development under non-cancelable operating leases which, in the case of certain rental properties, have an initial term of 99 years. We recognize lease expense for these leases on a straight-line basis over the lease term. ROU assets and lease liabilities are recorded on the balance sheet for all leases with an expected term over one year. A majority of our facility lease agreements include rental payments based on a pro-rata share of the lessor's operating costs which are variable in nature. Our lease agreements do not contain any residual value guarantees or material restrictive covenants.

ROU assets are classified within "Receivables, prepaid expenses, and other assets" and the corresponding lease liability is included in "Accrued expenses" in our Consolidated Balance Sheet. We elected the short-term lease recognition exemption for all leases that, at the commencement date, have a lease term of 12 months or less and do not include an option to purchase the underlying asset that we are reasonably certain to exercise. For such leases, we do not recognize ROU assets or lease liabilities and instead recognize lease payments in our Consolidated Statements of Operations and Comprehensive Income on a straight-line basis. At October 31, 2020, ROU assets and lease liabilities were $105.0 million and $124.8 million, respectively. Payments on lease liabilities totaled $16.6 million for the year ending October 31, 2020.

Lease expense includes costs for leases with terms in excess of one year as well as short-term leases with terms of one year or less. For the fiscal years ending October 31, 2020, 2019 and 2018, our total lease expense was $21.6 million, $20.2 million, and $15.8 million, respectively, inclusive of variable lease costs of approximately $3.1 million and short-term lease costs of approximately $3.5 million in fiscal 2020. Sublease income was de minimis.

Information regarding our remaining lease payments as of October 31, 2020 is provided in the table below (amounts in thousands):

Year ending October 31,	
2021	$ 19,942
2022	18,093
2023	15,621
2024	13,018
2025	9,475
Thereafter	204,509
Total lease payments (a)	$ 280,658
Less: Interest (b)	155,902
Present value of lease liabilities	$ 124,756

(a) Lease payments include options to extend lease terms that are reasonably certain of being exercised
(b) Our leases do not provide a readily determinable implicit rate. Therefore, we must estimate our discount rate for such leases to determine the present value of lease payments at the lease commencement date.

The majority of our facility leases give us the option to extend the lease term. The exercise of lease renewal options is at our discretion. For several of our facility leases we are reasonably certain the option will be exercised and thus the renewal term has been included in our calculation of the ROU asset and lease liability. The weighted average remaining lease term and weighted average discount rate used in calculating these facility lease liabilities, excluding our land leases, were 8.81 years and 4.1%, respectively, at October 31, 2020.

We have a small number of land leases with initial terms of 99 years. We are not reasonably certain that, if given the option, we would extend these leases. We have therefore excluded the renewal terms from our ROU asset and lease liability for these leases. The weighted average remaining lease term and weighted average discount rate used in calculating these land lease liabilities were 93.9 years and 4.5%, respectively, at October 31, 2020.

16. OTHER INCOME – NET

The table below provides the components of "Other income – net" for the years ended October 31, 2020, 2019, and 2018 (amounts in thousands):

	2020	2019	2018
Interest income	$ 10,009	$ 19,017	$ 8,570
Income from ancillary businesses	25,540	53,568	25,692
Management fee income from home building unconsolidated entities, net	3,636	9,948	11,740
Retained customer deposits	—	—	8,937
Income from land sales	—	—	6,331
Directly expensed interest	(2,440)	—	—
Other	(1,052)	(1,031)	1,190
Total other income – net	$ 35,693	$ 81,502	$ 62,460

As a result of our adoption of ASC 606 as of November 1, 2018, revenues and cost of revenues from land sales are presented as separate components on our Consolidated Statement of Operations and Comprehensive Income. In addition, retained customer deposits are presented in home sales revenues on our Consolidated Statement of Operations and Comprehensive Income. Because we elected to apply the modified retrospective method of adoption, prior periods have not been restated to reflect these changes in presentation. See Note 1, "Significant Accounting Policies – Recent Accounting Pronouncements" for additional information regarding the impact of the adoption of ASC 606.

Management fee income from home building unconsolidated entities presented above primarily represents fees earned by our City Living and Traditional Home Building operations. In addition, in fiscal 2020, 2019 and 2018, our apartment living operations earned fees from unconsolidated entities of $14.0 million, $11.9 million, and $7.5 million, respectively. Fees earned by our apartment living operations are included in income from ancillary businesses above.

Income from ancillary businesses is generated by our mortgage, title, landscaping, security monitoring, Gibraltar, apartment living, and golf course and country club operations. The table below provides revenues and expenses for these ancillary businesses for the years ended October 31, 2020, 2019, and 2018 (amounts in thousands):

	2020	2019	2018
Revenues	$ 118,855	$ 150,144	$ 158,051
Expenses	$ 106,285	$ 132,823	$ 132,359
Other income	$ 12,970	$ 36,277	$ —

In fiscal 2020, we sold one of our golf club properties to a third party for $15.6 million and recognized a gain of $9.1 million. In addition, we recognized a previously deferred gain of $3.8 million related to the sale of a golf club property from fiscal 2019.

In fiscal 2019, we sold seven of our golf club properties to third parties for $64.3 million and we recognized a gain of $35.1 million during the year ended October 31, 2019 as a result of these sales.

In fiscal 2018, we recognized a $10.7 million gain from a bulk sale of security monitoring accounts by our home control solutions business, which is included in income from ancillary businesses above. In addition, in fiscal 2018, we recognized a $3.5 million write-down of a commercial property operated by Toll Brothers Apartment Living, which is included in income from ancillary businesses above.

The table below provides revenues and expenses recognized from land sales for the year ended October 31, 2018 (amounts in thousands):

	2018
Revenue	$ 134,327
Expense	127,996
	$ 6,331

Land sale revenues for the year ended October 31, 2018 included $80.3 million related to sale transactions with four Rental Property Joint Ventures in which we have interests ranging from 25% to 50%. On one of these transactions, we recognized a gain of $1.0 million in fiscal 2018. In addition, due to our continued involvement in the joint venture primarily through guarantees provided on the joint venture's debt, we deferred $3.8 million of the gain realized on this sale. We will recognize the deferred gain into income as the guarantees provided expire.

See Note 4, "Investments in Unconsolidated Entities," for more information on these transactions.

17. INFORMATION ON SEGMENTS

The table below summarizes revenue and income (loss) before income taxes for our segments for each of the fiscal years ended October 31, 2020, 2019, and 2018 (amounts in thousands). In the first quarter of fiscal 2020, we made certain changes to our Traditional Home Building regional management structure and realigned certain of the states falling among our five geographic segments. See Note 1. Amounts for fiscal 2019 and 2018 have been restated to reflect this change.

	Revenue			Income (loss) before income taxes		
	2020	2019	2018	2020	2019	2018
		(Restated)	(Restated)		(Restated)	(Restated)
Traditional Home Building:						
North	$ 1,364,750	$ 1,484,430	$ 1,517,917	$ 57,826	$ 81,350	$ 98,233
Mid-Atlantic	845,597	804,342	775,676	50,621	50,737	59,254
South	1,041,204	991,915	868,580	108,399	106,082	99,920
Mountain	1,535,757	1,130,874	1,126,580	167,687	112,979	136,163
Pacific	2,029,851	2,416,629	2,533,506	352,831	509,760	571,353
Traditional Home Building	6,817,159	6,828,190	6,822,259	737,364	860,908	964,923
City Living	120,946	253,188	320,999	29,679	70,133	78,149
Corporate and other	(748)	(999)		(180,142)	(143,871)	(109,156)
	6,937,357	7,080,379	7,143,258	586,901	787,170	933,916
Land sales and other revenue	140,302	143,587	—			
Total	$ 7,077,659	$ 7,223,966	$ 7,143,258	$ 586,901	$ 787,170	$ 933,916

"Corporate and other" is comprised principally of general corporate expenses such as the offices of our executive officers; the corporate finance, accounting, audit, tax, human resources, risk management, information technology, marketing, and legal groups; interest income; income from certain of our ancillary businesses, including Gibraltar; and income from our Rental Property Joint Ventures and Gibraltar Joint Ventures.

Total assets for each of our segments at October 31, 2020 and 2019, are shown in the table below (amounts in thousands):

	2020	2019
		(Restated)
Traditional Home Building:		
North	$ 1,427,523	$ 1,487,012
Mid-Atlantic	918,641	854,470
South	1,176,962	1,165,974
Mountain	1,961,348	1,769,649
Pacific	2,226,685	2,627,417
Traditional Home Building	7,711,159	7,904,522
City Living	539,750	529,507
Corporate and other	2,814,824	2,394,109
	$ 11,065,733	$ 10,828,138

"Corporate and other" is comprised principally of cash and cash equivalents, restricted cash, income tax receivable, investments in our Rental Property Joint Ventures, expected recoveries from insurance carriers and suppliers, our Gibraltar investments and operations, manufacturing facilities, and our mortgage and title subsidiaries.

Inventory for each of our segments, as of the dates indicated, is shown in the table below (amounts in thousands):

	Land controlled for future communities	Land owned for future communities	Operating communities	Total
Balances at October 31, 2020				
Traditional Home Building:				
North	$ 40,753	$ 155,737	$ 1,140,833	$ 1,337,323
Mid-Atlantic	31,572	142,196	647,481	821,249
South	13,964	122,671	847,360	983,995
Mountain	8,811	38,370	1,840,830	1,888,011
Pacific	128,425	379,916	1,656,682	2,165,023
Traditional Home Building	223,525	838,890	6,133,186	7,195,601
City Living	—	197,953	265,352	463,305
	$ 223,525	$ 1,036,843	$ 6,398,538	$ 7,658,906
Balances at October 31, 2019 (Restated)				
Traditional Home Building:				
North	$ 32,712	$ 99,947	$ 1,233,234	$ 1,365,893
Mid-Atlantic	50,534	76,682	705,763	832,979
South	10,326	118,830	845,590	974,746
Mountain	18,973	34,165	1,651,792	1,704,930
Pacific	70,384	353,186	2,115,531	2,539,101
Traditional Home Building	182,929	682,810	6,551,910	7,417,649
City Living	—	185,391	270,008	455,399
	$ 182,929	$ 868,201	$ 6,821,918	$ 7,873,048

The amounts we have provided for inventory impairment charges and the expensing of costs that we believed not to be recoverable for each of our segments, for the years ended October 31, 2020, 2019, and 2018, are shown in the table below (amounts in thousands):

	2020	2019 (Restated)	2018 (Restated)
Traditional Home Building:			
North	$ 28,352	$ 25,472	$ 20,675
Mid-Atlantic	17,905	1,535	11,839
South	2,869	8,452	720
Mountain	790	984	176
Pacific	5,967	1,117	879
Traditional Home Building	55,883	37,560	34,289
City Living	—	4,800	98
Corporate and other	—	—	769
	$ 55,883	$ 42,360	$ 35,156

The net carrying value of our investments in unconsolidated entities and our equity in earnings (losses) from such investments, for each of our segments, as of the dates indicated, are shown in the table below (amounts in thousands):

	Investments in unconsolidated entities		Equity in earnings (losses) from unconsolidated entities		
	At October 31,		Year ended October 31,		
	2020	2019 (Restated)	2020	2019 (Restated)	2018 (Restated)
Traditional Home Building:					
Mid-Atlantic	$ 33,523	$ 8,525	$ (11)	$ —	$ (4,000)
South	93,734	91,956	14,012	19,098	12,263
Mountain	—	—	381	—	(63)
Pacific	433	9,825	1,280	(37)	2,404
Traditional Home Building	127,690	110,306	15,662	19,061	10,604
City Living	33,819	60,512	(7,674)	4,103	6,857
Corporate and other	269,192	195,434	(7,040)	1,704	67,779
	$ 430,701	$ 366,252	$ 948	$ 24,868	$ 85,240

"Corporate and other" is comprised of our investments in the Rental Property Joint Ventures and the Gibraltar Joint Ventures.

18. SUPPLEMENTAL DISCLOSURE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

The following are supplemental disclosures to the Consolidated Statements of Cash Flows for each of the fiscal years ended October 31, 2020, 2019 and 2018 (amounts in thousands):

	2020	2019	2018
Cash flow information:			
Interest paid, net of amount capitalized	$ 18,326	$ 35,422	$ 20,812
Income tax payments	$ 48,509	$ 141,681	$ 215,092
Income tax refunds	$ 1,822	$ 4,344	$ 3,101
Noncash activity:			
Cost of inventory acquired through seller financing, municipal bonds, or accrued liabilities, net	$ 158,435	$ 213,824	$ 185,633
Increase in inventory for capitalized interest, our share of earnings, and allocation of basis difference in land purchased from unconsolidated entities	$ 215	$ 5,300	$ 1,320
Increase in receivables, prepaid expenses, and other assets and accrued expenses related to the adoption of ASU 2016-02	$ 122,269	$ —	$ —
Reclassification from inventory to property, construction, and office equipment, net due to the adoption of ASC 606	$ —	$ 104,807	$ —
Net decrease in inventory and retained earnings due to the adoption of ASC 606	$ —	$ 8,989	$ —
Net increase in accrued expenses and decrease in retained earnings due to the adoption of ASC 606	$ —	$ 6,541	$ —
Net decrease in investment in unconsolidated entities and retained earnings due to the adoption of ASC 606	$ —	$ 2,457	$ —
Cost of inventory acquired through foreclosure	$ —	$ —	$ 4,609
Cancellation of treasury stock	$ —	$ 895,517	$ —
Non-controlling interest	$ 7,092	$ 38,134	$ 2,801
Reclassification of inventory to property, construction, and office equipment, net	$ 16,558	$ —	$ —
Decrease (increase) in unrecognized gain in defined benefit plans	$ 729	$ 4,138	$ (3,115)
Defined benefit plan amendment	$ 2,600	$ 4,956	$ —
Income tax benefit (expense) recognized in total comprehensive income	$ 471	$ 2,265	$ (1,141)
Transfer of other assets to inventory, net	$ —	$ 7,100	$ 16,763
Transfer of inventory to investment in unconsolidated entities	$ 13,690	$ —	$ —
Transfer of other assets to investment in unconsolidated entities, net	$ 52,345	$ 44,139	$ 60,971
Reclassification of deferred income from accrued expenses to investment in unconsolidated entities	$ —	$ —	$ 5,995
Increase in investments in unconsolidated entities for change in the fair value of debt guarantees	$ 25	$ 928	$ 623
Miscellaneous increases (decreases) to investments in unconsolidated entities	$ 645	$ (1,876)	$ 1,776
Business Acquisitions:			
Fair value of assets purchased	$ 63,854	$ 173,516	$ —
Liabilities assumed	$ 3,505	$ 11,143	$ —
Cash paid	$ 60,349	$ 162,373	$ —

	At October 31,		
	2020	2019	2018
Cash, cash equivalents, and restricted cash			
Cash and cash equivalents	$ 1,370,944	$ 1,286,014	$ 1,182,195
Restricted cash and cash held by our captive title company included in receivables, prepaid expenses, and other assets	25,660	33,629	34,215
Total cash, cash equivalents, and restricted cash shown in the Consolidated Statements of Cash Flows	$ 1,396,604	$ 1,319,643	$ 1,216,410

19. SUMMARY CONSOLIDATED QUARTERLY FINANCIAL DATA (UNAUDITED)

The table below provides summary income statement data for each quarter of fiscal 2020 and 2019 (amounts in thousands, except per share data):

	Three Months Ended,			
	October 31	July 31	April 30	January 31
Fiscal 2020:				
Revenue:				
Home sales	$ 2,495,974	$ 1,627,812	$ 1,516,234	$ 1,297,337
Land sales and other	$ 49,693	$ 23,677	$ 32,838	$ 34,094
Gross profit:				
Home sales (a)	$ 502,079	$ 341,704	$ 295,256	$ 264,215
Land sales and other	$ 4,798	$ 1,418	$ 6,420	$ 1,812
Income before income taxes	$ 266,991	$ 151,865	$ 102,113	$ 65,932
Net income	$ 199,317	$ 114,761	$ 75,670	$ 56,876
Earnings per share (b)				
Basic	$ 1.57	$ 0.91	$ 0.59	$ 0.41
Diluted	$ 1.55	$ 0.90	$ 0.59	$ 0.41
Weighted-average number of shares				
Basic	127,310	126,722	128,205	138,145
Diluted	128,892	127,399	128,809	139,889
Fiscal 2019:				
Revenue:				
Home sales	$ 2,292,044	$ 1,756,970	$ 1,712,057	$ 1,319,308
Land sales and other	$ 86,956	$ 8,721	$ 4,037	$ 43,873
Gross profit:				
Home sales (a)	$ 478,262	$ 391,653	$ 373,183	$ 303,064
Land sales and other	$ 658	$ 2,489	$ 1,116	$ 9,620
Income before income taxes	$ 272,649	$ 186,916	$ 176,159	$ 151,446
Net income	$ 202,315	$ 146,318	$ 129,324	$ 112,050
Earnings per share (b)				
Basic	$ 1.43	$ 1.01	$ 0.88	$ 0.76
Diluted	$ 1.41	$ 1.00	$ 0.87	$ 0.76
Weighted-average number of shares				
Basic	141,909	144,750	146,622	146,751
Diluted	143,567	146,275	148,129	148,032

(a) Effective October 31, 2020, we reclassified sales commissions paid to third-party brokers from home sales cost of revenues to selling, general and administrative expense. Prior periods have been reclassified to conform to the 2020 presentation

(b) Due to rounding, the sum of the quarterly earnings per share amounts may not equal the reported earnings per share for the year.

DIVIDENDS

During fiscal 2020, we paid aggregate cash dividends of $0.44 per share to our shareholders. The payment of dividends is within the discretion of our Board of Directors and any decision to pay dividends in the future, and the amount of any such dividend, will depend upon an evaluation of a number of factors, including our results of operations, our capital requirements, our operating and financial condition, and any contractual limitations then in effect. Our revolving credit agreement and term loan agreement each require us to maintain a minimum tangible net worth (as defined in the respective agreement), which restricts the amount of dividends we may pay. At October 31, 2020, under the provisions of our revolving credit agreement and term loan agreement, we could have paid up to approximately $2.56 billion of cash dividends.

NET DEBT-TO-CAPITAL RATIO RECONCILIATION

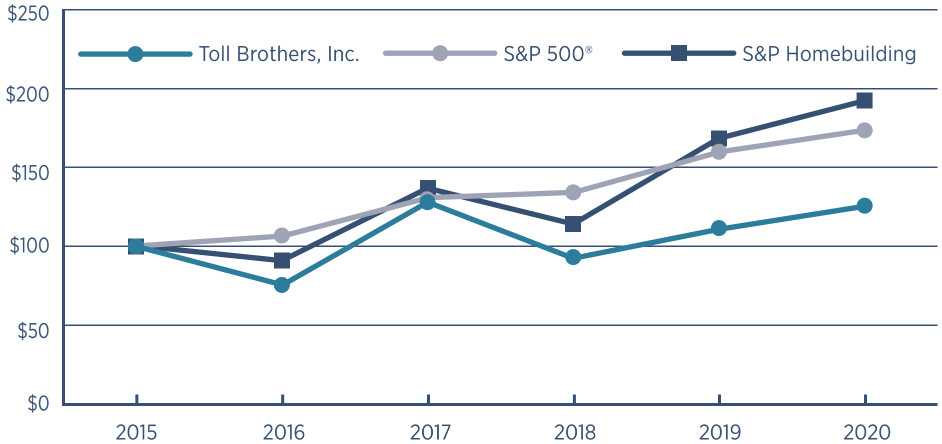
(Amounts in thousands except percentages):

	October 31, 2020	October 31, 2019
Loans payable	$ 1,147,955	$ 1,111,449
Senior notes	2,661,718	2,659,898
Mortgage company loan facility	148,611	150,000
Total debt	3,958,284	3,921,347
Total stockholders' equity	4,875,235	5,071,816
Total capital	$ 8,833,519	$ 8,993,163
Ratio of debt-to-capital	44.8%	43.6%
Total debt	$ 3,958,284	$ 3,921,347
Less: Mortgage company loan facility	(148,611)	(150,000)
Cash and cash equivalents	(1,370,944)	(1,286,014)
Total net debt	2,438,729	2,485,333
Total stockholders' equity	4,875,235	5,071,816
Total net capital	$ 7,313,964	$ 7,557,149
Net debt-to-capital ratio	33.3%	32.9%

STOCK RETURN PERFORMANCE GRAPH

The following graph and chart compares the five-year cumulative total return (assuming that an investment of $100 was made on October 31, 2015, and that dividends were reinvested) from October 31, 2015 to October 31, 2020, for (a) our common stock, (b) the S&P Homebuilding Index and (c) the S&P 500®:

Comparison of 5 Year Cumulative Total Return Among Toll Brothers, Inc., the S&P 500®, and the S&P Homebuilding Index



October 31:	2015	2016	2017	2018	2019	2020
Toll Brothers, Inc.	$ 100.00	$ 76.29	$ 128.77	$ 95.15	$ 113.76	$ 122.53
S&P 500®	$ 100.00	$ 104.51	$ 129.21	$ 138.70	$ 158.57	$ 173.97
S&P Homebuilding Index	$ 100.00	$ 94.35	$ 141.28	$ 113.52	$ 166.22	$ 195.10

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Chairman Emeritus of the Board

Douglas C. Yearley, Jr.* *(30)*
Chairman of the Board, President, & Chief Executive Officer

Edward G. Boehne
Lead Independent Director
Retired President — Federal Reserve Bank of Philadelphia

Richard J. Braemer
Senior Counsel — Ballard Spahr LLP, Attorneys at Law

Stephen F. East
Retired Managing Director — Wells Fargo & Company

Christine N. Garvey
Retired Global Head of Corporate Real Estate Services — Deutsche Bank AG

Karen H. Grimes
Retired Partner, Senior Managing Director, and Equity Portfolio Manager — Wellington Management Company

Carl B. Marbach
President and Chief Executive Officer of Shared Charter, Inc., a peer-to-peer private airplane chartering service provider

John A. McLean
Senior Managing Director — New York Life Investment Management

Stephen A. Novick
Senior Advisor — Chasbro Investments

Wendell E. Pritchett
Provost, Presidential Professor of Law & Education — University of Pennsylvania

Paul E. Shapiro
Chairman — Q Capital Holdings LLC, a life settlement company

Kevin J. Coen *(2)*
Corporate Secretary

*Executive Officer of the Company.
Director and employee listing as of 1/1/21.
( ) Years of service with Toll Brothers.

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Robert Parahus* *(34)*

Chief Financial Officer

Martin P. Connor* *(12)*

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Finance, International Development & Investor Relations

John Critikos *(7)*
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Joseph R. DeSanto *(17)*
Tax

David Ernst *(8)*
Land Acquisitions

Patrick Galligan *(27)*
Homebuilding Controller

Michael J. Grubb *(17)*
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Timothy J. Hoban *(15)*
Chief Compliance Officer General Counsel

John Jakominich *(23)*
Land Acquisitions

Benjamin D. Jogodnik *(25)*
Mergers & Acquisitions

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John G. Mangano *(33)*
Building Technologies

Wendy Marlett *(2)*
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Joy N. Roman *(4)*
Chief Human Resources Officer

Corey K. Tendler *(3)*
Chief Diversity & Engagement Officer

Gregg L. Ziegler *(18)*
Treasurer

Home Building Operations

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Christopher G. Gaffney *(24)*
Karl Mistry *(16)*
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Seth J. Ring *(17)*

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President

David H. Von Spreckelsen *(17)*
Group President

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Christopher Ryan *(2)*
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Susan Stanley *(4)*
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TOLL BROTHERS CAMPUS LIVING®
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President

TOLL BROTHERS HOSPITALITY GROUP
John J. DePaul *(3)*
President

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Executive Vice President

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SR. VP/Managing Director

TBI MORTGAGE® COMPANY
Steve Audet *(4)*
President

TBI SMART HOME SOLUTIONS
Felicia Ratka *(20)*
President

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Jed Gibson *(27)*
President

TOLL INTEGRATED SYSTEMS
Keith Fell *(12)*
Director of Manufacturing

TOLL LANDSCAPE, LLC
Mark Culichia *(23)*
President

WESTMINSTER TITLE COMPANY, INC.
William T. Unkel *(16)*
President

GIBRALTAR REAL ESTATE CAPITAL
Roger A. Brush *(27)*
President

Michael L. LaPat *(21)*
Chief Financial Officer

CORPORATE INFORMATION

Corporate Office

Toll Brothers, Inc.
1140 Virginia Dr
Fort Washington, Pennsylvania 19034
215-938-8000 | TollBrothers.com

Transfer Agent and Registrar

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, New York 11219
1-800-937-5449 | astfinancial.com

Independent Auditors

Ernst & Young LLP — Philadelphia, Pennsylvania

Employees

As of October 31, 2020, we had approximately 4,500 full-time employees.

Stockholders

As of December 18, 2020, we had 494 stockholders of record.

Stock Listing

Our common stock is traded on the New York Stock Exchange (symbol "TOL").

Certifications

Our Chief Executive Officer and Chief Financial Officer have filed their certifications as required by the SEC regarding the quality of our public disclosures for each of the periods ended during our fiscal year ended October 31, 2020. Further, our Chief Executive Officer has certified to the New York Stock Exchange ("NYSE") that he is not aware of any violation by our Company of NYSE corporate governance listing standards, as required by Section 303A.12(a) of the NYSE Listed Company Manual.

Demographic and Other Data

Sources consulted for data included in this annual report include, Bloomberg Business Week, Bloomberg L.P., Citigroup, Claritas, The Conference Board, Fannie Mae, Federal Home Loan Mortgage Corporation, Federal Housing Finance Board, Federal Reserve Bank, Federal Reserve Board, Fitch Ratings, Forbes, Fortune, Harvard Institute of Economic Research, Institutional Investor Magazine, John Burns Real Estate Consulting, Joint Center for Housing Studies of Harvard University, J.P. Morgan Securities, Moody's Economy.com, Moody's Investor Service, Mortgage Bankers Association, National Association of Home Builders, National Association of Realtors,® Office of Federal Housing Enterprises Oversight, S&P Corelogic Case-Shiller U.S. National Home Price NSA Index, Standard & Poor's, Thomson Reuters Corporation, Urban Land Institute Terwilliger Center for Housing, U.S. Bureau of Labor Statistics, U.S. Census Bureau, U.S. Department of Commerce, U.S. Department of Housing and Urban Development, U.S. Department of Labor, The Wall Street Journal, YAHOO! Finance.

Investor Relations Information Requests

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and other Company information are available without charge either on or through our website, TollBrothers.com, or upon request from the following individuals at our Corporate Office:

Frederick N. Cooper
Senior Vice President — Finance, International Development and Investor Relations
fcooper@tollbrothers.com | 215-938-8312

Our Board of Directors has an audit and risk committee, an executive compensation committee, a nominating and corporate governance committee, and a public debt and equity securities committee. Each of these committees has a formal charter. We also have Corporate Governance Guidelines, a Code of Ethics for Members of the Board of Directors, and a Code of Ethics and Business Conduct which applies to all officers and employees. Copies of these charters, guidelines, and codes can be obtained on our website and are also available upon request from the individuals listed above.

Production Notes

Front Cover Photo:
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Ray Barbour, Ron Blunt, Joshua Caldwell, Chad Davies, Roberto Gonzalez, Shawn May, Christopher Mayer, Chris J. Roberts, Shoootin, Bill Taylor, William Wright

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The Bayhill | Regency at Kimberton Glen | Phoenixville, PA

The Mayne | Sereno Canyon | Scottsdale, AZ

The Hollister | Addison Pond | Holly Springs, NC

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