UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(MARK ONE)

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

For the fiscal year ended December 31, 2020

or

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

For the transition period from to

Commission File Number 001-34856

Howard Hughes®

THE HOWARD HUGHES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**36-4673192**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

9950 Woodloch Forest Drive, Suite 1100, The Woodlands, Texas 77380

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code **(281) 719-6100**

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

Title of each class:	Trading Symbol(s)	Name of each exchange on which registered:
Common stock, par value $0.01 per share	HHC	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

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

Large accelerated filer	☒	Accelerated filer	☐	Emerging growth company	☐
Non-accelerated filer	☐	Smaller reporting company	☐		

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

As of June 30, 2020, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $1.6 billion based on the closing sale price as reported on the New York Stock Exchange.

The number of shares of common stock, $0.01 par value, outstanding as of March 19, 2021 was 55,127,680.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its 2021 Annual Meeting of Stockholders are incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K. The registrant intends to file its Proxy Statement with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2020.

EXPLANATORY NOTE

The Howard Hughes Corporation (the Company), is filing this Amendment No. 1 (the Amendment) to our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (the Form 10-K), which was filed on February 25, 2021, to provide separate audited consolidated financial statements for DLV/HHPI Summerlin, LLC (The Summit), our joint venture with Discovery Land Company, in accordance with Rule 3-09 of Regulation S-X. The consolidated financial statements of The Summit as of and for the year ended December 31, 2020 were not available at the time that the Company filed its Form 10-K on February 25, 2021. The Summit's audited Consolidated Financial Statements as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, and Report of Independent Auditors, are filed as Exhibit 99.1 and are included as financial statement schedules in Item 15 of this Form 10-K/A.

This Amendment also updates, amends and supplements Part IV, Item 15 of the Form 10-K to include the filing of Exhibit 23.2, the consent of Ernst & Young LLP, and the filing of new Exhibits 31.1, 31.2 and 32.1, certifications of our Chief Executive Officer and Chief Financial Officer, pursuant to Rule 13a-14(a) and (b) of the Securities and Exchange Act of 1934.

Except as described above, this Amendment is not intended to update or modify any other information presented in the Form 10-K for the fiscal year ended December 31, 2020, as originally filed. This Amendment does not update or modify in any way the financial position, results of operations, cash flows or related disclosures in the Form 10-K and does not reflect events occurring after the Form 10-K's original filing date of February 25, 2021. Accordingly, this Form 10-K/A should be read in conjunction with the Form 10-K for the year ended December 31, 2020 and any subsequent filings with the Securities and Exchange Commission.

PART IV

Item 15. Exhibits, Finanical Statement Schedule

(a) Financial Statements and Financial Statement Schedule.

The Consolidated Financial Statements and Schedule listed in the accompanying Index to Consolidated Financial Statements and Financial Statement Schedule were previously filed with the Annual Report on Form 10-K for the year ended December 31, 2020, filed on February 25, 2021.

The following financial statements are included in this Amendment No. 1 to Annual Report on Form 10-K/A pursuant to Rule 3-09 of Regulation S-K.

– DLV/HHPI Summerlin, LLC audited Consolidated Financial Statements as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018

No additional financial statement schedules are presented since the required information is not present or not present in amounts sufficient to require submission of the schedule or because the information required has been enclosed in the Consolidated Financial Statements and notes thereto.

(b) Exhibits.

A list of exhibits to be filed or furnished as part of this Amendment is set forth in the Exhibit Index below.

Exhibit No.	Description of Exhibit
23.2+	Consent of Ernst & Young LLP
31.1+	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2+	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1+	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1+	DLV/HHPI Summerlin, LLC audited Consolidated Financial Statements as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\+ Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE HOWARD HUGHES CORPORATION

/s/ David R. O'Reilly

David R. O'Reilly

Chief Executive Officer and Interim Chief Financial Officer

March 24, 2021

Exhibit 23.2

Consent of Independent Auditors

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-184466 and Form S-3 No. 333-237423) of The Howard Hughes Corporation;
(2) Registration Statements (Form S-8 No. 333-170431, Form S-8 No. 333-170432, Form S-8 No. 333-171909, and Form S-8 No. 333-171910) pertaining to the 2010 Amended and Restated Incentive Plan of The Howard Hughes Corporation; and
(3) Registration Statement (Form S-8 No. 333-239417) pertaining to the 2020 Equity Incentive Plan of The Howard Hughes Corporation;

of our report dated March 23, 2021, with respect to the consolidated financial statements of DLV/HHPI Summerlin, LLC, included in this Form 10-K/A - Amendment No. 1 to the Annual Report on Form 10-K of The Howard Hughes Corporation for the year ended December 31, 2020.

/s/ Ernst & Young LLP

Houston, Texas
March 23, 2021

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a — 14(a) ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David R. O'Reilly, certify that:

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K/A of The Howard Hughes Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, 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;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ David R. O'Reilly
David R. O'Reilly
Chief Executive Officer (principal executive officer)
March 24, 2021

Exhibit 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a —
14(a) ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, David R. O'Reilly, certify that:

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K/A of The Howard Hughes Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, 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;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ David R. O'Reilly
David R. O'Reilly
Interim Chief Financial Officer
March 24, 2021

Exhibit 32.1

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

In connection with the filing of Amendment No. 1 to the Annual Report on Form 10-K/A of The Howard Hughes Corporation, a Delaware Corporation (the "Company"), for the period ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer, in his capacity as officer, of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for periods expressed in the report.

By: /s/ David R. O'Reilly
David R. O'Reilly
Chief Executive Officer
March 24, 2021

By: /s/ David R. O'Reilly
David R. O'Reilly
Interim Chief Financial Officer
March 24, 2021

Consolidated Financial Statements and Report of Independent Auditors

DLV/HHPI Summerlin, LLC

December 31, 2020

Contents

Report of Independent Auditors

Members of DLV/HPPI Summerlin, LLC

We have audited the accompanying consolidated financial statements of DLV/HHPI Summerlin, LLC, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in members' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of DLV/HHPI Summerlin, LLC at December 31, 2020 and 2019, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP
Houston, Texas
March 23, 2021

DLV/HHPI SUMMERLIN, LLC

CONSOLIDATED BALANCE SHEETS

December 31, 2020 and 2019

	2020	2019
ASSETS		
Real estate under development	$ 106,979,401	$ 95,760,184
Cash and cash equivalents	104,845,061	52,844,217
Property and equipment, net	20,867,027	21,947,940
Deferred costs	49,311,569	41,925,670
Restricted cash	3,122,533	3,081,365
Accounts receivable	21,277,129	524,431
Prepaid expenses and other assets	964,740	1,319,055
Note receivable	2,852,159	3,755,639
Related-party receivables	635,347	118,183
Total Assets	**$ 310,854,966**	**$ 221,276,684**
LIABILITIES AND MEMBERS' EQUITY		
Accounts payable and accrued expenses	$ 13,369,376	$ 8,705,334
Deferred revenue	145,389,038	97,695,772
Related party payables	12,369,233	7,318,178
Special Improvement District bonds	184,102	311,830
Customer deposits	8,610,000	-
Club membership deposits	24,010,000	16,020,000
Line of credit	5,994,666	5,994,666
Finance lease obligations	41,497	268,208
Total Liabilities	**$ 209,967,912**	**$ 136,313,988**
Commitments and Contingencies (see Note 14)		
MEMBERS' EQUITY		
Members' capital	$ (49,150,093)	$ (43,150,093)
Accumulated earnings	150,037,147	128,112,789
Total Members' Equity	**$ 100,887,054**	**$ 84,962,696**
Total Liabilities and Members' Equity	**$ 310,854,966**	**$ 221,276,684**

The accompanying notes are an integral part of these consolidated financial statements.

DLV/HHPI SUMMERLIN, LLC

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2020, 2019 and 2018

	2020	2019	2018
REVENUES			
Real estate sales	$ 141,092,114	$ 114,916,263	$ 99,904,340
Club operations	7,730,094	5,420,319	2,654,701
Total revenues	**148,822,208**	**120,336,582**	**102,559,041**
COSTS AND EXPENSES			
Cost of real estate sales	86,400,888	60,087,296	37,795,633
Cost of club operations	15,790,851	14,229,416	10,544,113
Commissions, closing costs and fees	17,618,581	13,815,097	11,881,148
Selling, marketing and other expenses	3,534,888	3,531,117	3,484,453
Depreciation	1,478,092	1,411,942	1,109,429
Homeowners association subsidy	2,102,667	1,039,149	982,184
Total costs and expenses	**126,925,967**	**94,114,017**	**65,796,960**
Operating income	**21,896,241**	**26,222,565**	**36,762,081**
Other income (expense)	28,117	75,185	(65,018)
Net income	**$ 21,924,358**	**$ 26,297,750**	**$ 36,697,063**

The accompanying notes are an integral part of these consolidated financial statements.

DLV/HHPI SUMMERLIN, LLC

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

For the Years Ended December 31, 2020, 2019 and 2018

	HHPI	Discovery	Total
Balance at December 31, 2017 (unaudited)	$ 45,886,908	$ 2,132,666	$ 48,019,574
Distributions	(10,000,000)	-	(10,000,000)
Net income	36,697,063	-	36,697,063
Balance at December 31, 2018	72,583,971	2,132,666	74,716,637
Distributions	(16,051,691)	-	(16,051,691)
Net income	26,297,750	-	26,297,750
Balance at December 31, 2019	82,830,030	2,132,666	84,962,696
Distributions	(6,000,000)	-	(6,000,000)
Net income	20,229,507	1,694,851	21,924,358
Balance at December 31, 2020	**$ 97,059,537**	**$ 3,827,517**	**$ 100,887,054**

The accompanying notes are an integral part of these consolidated financial statements.

DLV/HHPI SUMMERLIN, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020, 2019 and 2018

		2020		2019		2018
Cash flows from operating activities						
Net income	$	21,924,358	$	26,297,750	$	36,697,063
Adjustments to reconcile net income to cash provided by operating activities						
Depreciation		1,478,092		1,411,942		1,109,429
Loss on asset disposal		-		-		3,162
Effects of changes in operating assets and liabilities:						
Additions to real estate development		(92,280,011)		(68,174,224)		(43,468,660)
Cost of real estate sales		86,400,888		60,087,296		37,795,633
Deferred costs		(5,021,768)		1,033,078		(1,129,053)
Accounts receivable		(20,752,698)		(325,477)		(18,818)
Note receivable		903,480		1,400,000		-
Prepaid expenses and other assets		354,315		3,323,058		(3,854,484)
Accounts payable		826,752		3,144,609		(3,008,155)
Customer real estate deposits		8,610,000		(1,662,000)		1,662,000
Deferred revenues		47,693,266		(17,906,964)		7,886,441
Membership deposits		7,990,000		3,020,000		4,450,000
Related-party receivables and payables		581,162		(1,263,831)		281,689
Net cash provided by operating activities		**58,707,836**		**10,385,237**		**38,406,247**
Cash flows from investing activities						
Development of property and equipment		(397,179)		(634,694)		(5,314,598)
Proceeds from repayment of advance to related party		-		300,000		-
Advance to related party		-		-		(300,000)
Net cash used in investing activities		**(397,179)**		**(334,694)**		**(5,614,598)**
Cash flows from financing activities						
Special Improvement District bonds payments		(41,934)		(51,892)		(57,195)
Finance lease obligations payments		(226,711)		(220,004)		(297,370)
Members' capital distributions		(6,000,000)		(16,051,691)		(10,000,000)
Line of credit advances		-		1,999,946		3,994,720
Net cash used in financing activities		**(6,268,645)**		**(14,323,641)**		**(6,359,845)**
Net increase (decrease) in cash, cash equivalents, and restricted cash		**52,042,012**		**(4,273,098)**		**26,431,804**
Cash, cash equivalents, and restricted cash, beginning of period		55,925,582		60,198,680		33,766,876
Cash, cash equivalents, and restricted cash, end of period	**$**	**107,967,594**	**$**	**55,925,582**	**$**	**60,198,680**

The accompanying notes are an integral part of these consolidated financial statements.

DLV/HHPI SUMMERLIN, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

For the Years Ended December 31, 2020, 2019 and 2018

		2020		2019		2018
Supplemental disclosure of cash flow information:						
Cash paid for interest, net of amount capitalized	$	8,558	$	15,190	$	22,722
Development of property and equipment included in accounts payable		-		-		1,882,571
Special Improvement District bond liability relieved from sale of land		85,794		76,974		138,036
Sale of land in exchange for a note receivable		-		5,000,000		-
Imputed interest on note receivable issued		147,841		244,361		-
Transfer of real estate and land development costs to property and equipment	$	-	$	-	$	3,187,911

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – DESCRIPTION OF THE BUSINESS

Organization

DLV/HHPI Summerlin, LLC (the "Company") was formed on June 13, 2014, under the laws of the State of Delaware, in the United States of America. On March 17, 2015, the limited liability company agreement was amended changing the members of the Company to DLV Summerlin, LLC, a Delaware limited liability company ("Discovery") and Howard Hughes Properties, Inc., a Nevada corporation ("HHPI"). The Company is a joint venture, which wholly-owns certain entities incorporated under the laws of the State of Delaware, for the purpose of developing and operating a luxury golf club with related amenities and a residential community located in Summerlin, Nevada, a suburb of Las Vegas. The golf club and residential community (hereinafter collectively referred to as the "Project") is expected to have approximately 260 dwellings on 555 acres which will be offered for sale as a mix of custom lots, detached built product units, and multi-family built product units.

Under the terms of the Company's limited liability agreement, HHPI contributed real estate to the joint venture with a book value of $12,051,598, which is net of Special Improvement District bonds of $1,326,319. The agreed upon fair market value of the real estate contributed was $125,430,000. Discovery contributed cash with a value of $3,750,000, a portion of which was used to fund land improvements. Discovery is required to fund up to $30,000,000 in capital contributions. Following the recording of the parcel map by HHPI, the primary remaining major entitlement was a Site Development Plan ("SDP") approval for the Project's overall development plan, residential plan, and golf course. The SDP approval was a condition precedent to commencing construction, starting sales and formally executing the joint venture documents. The approval of the SDP was obtained on March 17, 2015 and the operations of the Company commenced.

The consolidated financial statements as of December 31, 2020, 2019 and 2018 reflect the financial position of the Company and its wholly owned subsidiary Discovery Property Company, LLC ("DPC") after the consolidation of its wholly owned subsidiaries Summit Club, LLC (the "Club"), DPC SPEC I, LLC and DPC Clubhouse I, LLC. The Club was formed on December 22, 2015, and began operations in March 2017. DPC SPEC I, LLC was formed on August 16, 2017. DPC Clubhouse I, LLC was formed on November 13, 2018.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include all of the accounts of the Company's wholly owned subsidiaries in accordance with the provisions and guidance included in Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC"). All intercompany transactions and balances have been eliminated during consolidation.

Real estate under development

Real estate assets are stated at cost less any provisions for impairments. Costs directly associated with the acquisition and development of the Project including interest, real estate taxes, indirect costs incurred in managing the development, legal and other costs clearly related to the Project are capitalized and presented in the consolidated balance sheets within real estate under development. Selling and marketing costs, which includes advertising are expensed as incurred.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Real estate under development (continued)

The Company records impairment losses on its real estate under development when events or circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of the assets. In such a case, an impairment loss would be recorded to adjust the carrying amount to fair value. Management has determined that there were no impairment charges required for the years ended December 31, 2020, 2019, and 2018.

Revenue and cost recognition

In May 2014, the FASB issued ASU 2014-09, "*Revenues from Contracts with Customers (Topic 606)*". 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 the company expects to be entitled in exchange for those goods or services. The Company adopted the standard as of January 1, 2019 using the modified retrospective method. There was no effect on prior period financials.

Sale of Real Estate
Revenues from real estate sales are recognized at a point in time when the land sale closing process is complete. The transaction price is fixed based on the terms of the contract, and generally representative of a single performance obligation. The fixed transaction price, which is the amount of consideration received in full upon transfer of the land title to the buyer, is allocated to this single obligation and is received at closing of the land sale less any amounts previously paid on deposit.

In situations where the Company has completed the closing of a real estate sale and consideration is paid in full, but a portion of the Company's performance obligation relating to the development of the land is still unsatisfied, revenue related to the Company's obligation is recognized over time. The Company recognizes only the portion of the improved land sale where the improvements are fully satisfied based on a cost input method. The aggregate amount of the transaction price allocated to the unsatisfied obligation is recorded as deferred land sales and presented in deferred revenue. The Company measures the completion of its unsatisfied obligation based on the costs remaining relative to the total cost at the date of closing.

When real estate under development is sold, the cost of sales includes actual costs incurred and estimates of future development costs benefiting the property sold. In accordance with ASC 970-360-30-1, when developed land is sold, costs are allocated to each lot based upon the relative sales value. For purposes of allocating development costs, estimates of future revenues and development costs are re-evaluated throughout the year, with adjustments being allocated prospectively to the remaining lots available for sale.

Sale of Developer Product
The Company contracts with customers to sell real estate and construct a vertical improvement (developer product). The transaction price is fixed based on the terms of the contract. Subsequent changes due to customer submitted change orders represent a contract modification. Contracts requiring developer product contain two performance obligations; (1) the real estate and development of community amenities, and (2) the construction of the vertical development. The transaction price, which is the amount of consideration stipulated in the contract plus any contract modifications, is allocated to the multiple performance obligations based on the respective established standalone selling prices. Revenue related to the sale of real estate and development of community amenities is recognized over time, as described above in Sale of Real Estate. Revenue from the sale of a developer product is recognized over time as the Company satisfies the performance obligations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and cost recognition (continued)

The Company receives cash payments in the form of vertical improvement deposits from customers who have contracted to purchase a developer product unit based on billing schedules established in the Company's purchase agreement contracts. The amounts are recorded in cash and cash equivalents, and a corresponding vertical product liability is established at the date of receipt, which is presented in deferred revenue. The Company recognizes revenue on developer products using an input method of cost incurred relative to total cost of the vertical product for measuring progress. In instances where the revenue recognized exceeds the vertical deposits received, a corresponding contract asset and contract liability is recorded.

The following table presents the Company's revenues disaggregated by revenue source:

	2020	2019	2018
From contracts with customers			
Real estate	$ 94,892,027	$ 81,276,849	$ 90,693,646
Vertical product	46,200,087	33,639,413	9,210,694
Membership dues	4,068,214	2,700,430	1,474,143
Total revenue from contracts with customers	145,160,328	117,616,692	101,378,483
Point in time revenue			
Club operations	3,661,880	2,719,890	1,180,558
Total revenues	$ 148,822,208	$ 120,336,582	$ 102,559,041

Below is a discussion of the performance obligations, significant judgements and other required disclosures related to revenues from contracts with customers.

Contract Assets and Liabilities

Contract assets are the Company's right to consideration in exchange for goods or services that have been transferred to a customer. Contract liabilities are the Company's obligation to transfer goods or services to a customer for which the Company has received consideration.

The beginning and ending balances of contract assets and liabilities are as follows. Contract assets are included in accounts receivable and contract liabilities are included in deferred revenue on the accompanying consolidated balance sheets:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and cost recognition (continued)

	Contract Assets	Contract Liabilities
Balance as of December 31, 2018	$ -	$ 110,847,097
Consideration received during the year	377,937	19,597,260
Consideration earned during the year	-	(32,370,649)
Balance as of December 31, 2019	$ 377,937	$ 98,073,708
Consideration received during the year	-	23,261,767
Consideration earned during the year	(377,937)	(13,941,944)
Balance as of December 31, 2020	$ -	$ 107,393,531

Remaining Unsatisfied Performance Obligations

The Company's remaining unsatisfied performance obligations as of December 31, 2020 represent a measure of the total dollar value of work to be performed on contracts executed and in progress. The aggregate amount of the transaction price allocated to the Company's remaining unsatisfied performance obligations as of December 31, 2020, is $49,979,649. The company expects to recognize this amount as revenue over the following periods:

2021	$ 36,401,913
2022	13,109,717
2023	355,931
2024	92,775
2025	19,313
Total unsatisfied performance obligation	$ 49,979,649

The Company's remaining performance obligations are adjusted to reflect any known cancellations, revisions to project scope and cost, and deferrals as appropriate.

Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash, and so near maturity that they present insignificant risk of changes in value because of the associated interest rates. Cash and cash equivalents are comprised of cash on hand, current accounts and fixed deposits with original contractual maturities of three months or less.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted cash

Restricted cash reflects amounts held in deposit as required per the terms of the Company's line of credit agreement.

Property and equipment

Property and equipment consists primarily of land improvements, club amenities, office furnishings, equipment and vehicles. Property and equipment also includes assets leased under capital lease agreements. In the case of property and equipment held under capital leases, the asset and the related obligations are initially recorded at the amount equal to the present value of future minimum lease payments computed on the basis of the interest rate implicit in the lease or the incremental borrowing rate. Expenditures that increase capacities or extend useful lives are capitalized. Routine maintenance, repairs, and renewal costs are expensed as incurred.

Property and equipment are stated at cost, less accumulated depreciation and any provision for impairment. Depreciation and amortization are provided for primarily on the straight-line method over the estimated service lives of the assets.

Estimated service lives for fixed assets are as follows:

Asset	Years
Equipment	4 – 10
Office Furnishings	7
Vehicles	5 – 10
Amenity Buildings	40
Golf Course	15

Related-party receivables

Related-party receivables include shared office expense and club charges to sale agents and employees that will be repaid from future commissions on lot closings or payroll.

Accounts receivable

The Company grants credit to customers that arise in the normal course of operations. The receivable accounts consist of amounts billed to customers and accruals for amounts not yet billed. The Company writes off accounts when management believes the receivables are uncollectible based on the overall creditworthiness of the customers and payment disputes. An allowance is established based on reviews of individual accounts, recent loss experience, current economic conditions, and other pertinent factors. As of December 31, 2020 and 2019, management deemed all accounts are collectible, thus no allowance was recorded.

Accounts receivable as of December 31, 2020 and 2019 consist of the following:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable (continued)

	2020	2019
Club accounts receivable	$ 977,106	$ 524,431
Due from customers - vertical product	20,300,023	-
Total accounts receivable	21,277,129	524,431
Less: Allowance for doubtful accounts	-	-
Accounts receivable, net	$ 21,277,129	$ 524,431

Deferred costs

Deferred costs include cost of lots and developer product sold plus closing and transfer fees and commissions paid on real estate sales. Deferred costs are measured based on the costs remaining relative to the total cost at the date of closing. Deferred costs of lots are included based on total allocable estimated cost while developer product is included on the consolidated balance sheet as incurred and recognized to the consolidated statement of operations according to the appropriate methodology. Remaining cost to be incurred on cost of developer product sold is approximately $18,000,000 and $32,000,000 as of December 31, 2020 and 2019, respectively.

Prepaid expenses and other assets

Prepaid expenses and other assets include prepayments of insurance and refundable cash bond deposits, club inventory, supplies and vendor advances. Prepaid expenses are amortized over the terms of the related policies. Inventory is stated at the lower of cost or market.

Accounts payable and related-party payables

Accounts payable and related-party payables include development expenditures, marketing expenses, club operations and professional fees for the Project.

Customer real estate deposits

Customer real estate deposits consist of escrow funds received to hold a lot and funds received for customer change orders on construction contracts.

Leases

Leases entered into by the Company that do not transfer substantially all the risks and benefits of ownership of the leased asset from the lessor are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of operations on a straight-line basis over the lease term.

Assets acquired pursuant to leases that transfer substantially all the rewards and risks of ownership to the Company are accounted for as leased property under finance leases. Payments to the lessors are treated as having capital and interest elements. Lease costs are capitalized if they relate to the real estate held for development or expensed if they relate to sales and marketing in the period to which they relate.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

Federal, state and local income taxes have not been provided for in the accompanying financial statements as the members are responsible for reporting their allocable share of the Company's tax basis income, gains, deductions, losses and credits on their tax return. In accordance with ASC 740, Accounting for Uncertainty in Income Taxes, the Company must determine whether a tax position meets the "more likely than not" threshold based on the technical merits of the position. Once a position meets the recognition threshold, measurement of the position reported in the financial statement is determined. The Company has determined no material unrecognized tax benefits or liabilities exist as of December 31, 2020 and 2019 and no provision for income tax is required in the accompanying consolidated financial statements. If applicable, the Company recognizes interest and penalties related to underpayment of income taxes as income tax expense. The Company is not currently under exam by a taxing authority. As of December 31, 2020 and 2019, the Company has no amounts related to accrued interest and penalties. The Company does not anticipate any significant changes to its tax positions over the next year. Although the Company believes its tax returns are correct, the final determination of tax examinations and any related litigation could be different from what was reported on the returns. Generally, the Company is currently open to audit under the statute of limitations by the Internal Revenue Service as well as state taxing authorities for the years ended December 31, 2017 through 2019.

Use of estimates

The process of preparing financial statements in conformity with GAAP requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant areas requiring the use of assumptions, judgments, and estimates relate to real estate under development and contingencies.

Fair value of financial instruments

The carrying values of cash and cash equivalents, receivables, accounts payable, and other assets and liabilities are reasonable estimates of their fair values because of the short maturities of these instruments.

Distributions of cash and allocation of net income

Distributions of cash are made in accordance with the terms of the Company's Operating Agreement (the Agreement). There were $6,000,000, $16,051,691, and $10,000,000 of distributions made to HHPI during the years ended December 31, 2020, 2019 and 2018, respectively.

In general, net income or loss of the Company shall be allocated to the members such that, the Member's adjusted capital account is equal to the amount that the member would receive in a hypothetical liquidation of the Company's net assets at its recorded book value, as defined, at each balance sheet date.

Recent accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, "*Leases*". ASU 2016-02, codified in ASC 842, amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 will be effective for the Company on December 31, 2022. Early adoption of ASU 2016-02 as of its issuance is permitted. The

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent accounting pronouncements (continued)

new leases standard requires a modified retrospective approach for all leases existing at, or entered into after, the date of the initial application, with an option to use certain transition relief. Management is currently evaluating the impact of adopting the new leases standard on the accompanying consolidated financial statements.

NOTE 3 - REAL ESTATE UNDER DEVELOPMENT

Real estate under development as of December 31, 2020 and 2019, consists of the following:

		2020		2019
Land cost, improvements, entitlements and designs	$	357,394,519	$	263,931,049
Development administration, taxes and insurance		28,366,078		21,845,312
	$	385,760,597	$	285,776,361
Less: Amenitites placed in service		(21,410,828)		(21,410,828)
Less: Cost attributed to sales since inception (Note 5)		(257,370,368)		(168,605,349)
	$	106,979,401	$	95,760,184

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net as of December 31, 2020 and 2019, consists of the following:

		2020		2019
Land improvements	$	10,471,294	$	10,451,358
Amenity buildings		4,273,781		4,273,781
Golf course		6,402,193		6,308,332
Equipment		1,284,017		1,116,399
Office furnishing		1,094,538		1,013,153
Vehicles		879,447		845,068
Equipment and vehicles under capital lease		868,978		868,978
		25,274,248		24,877,069
Less: accumulated depreciation		(4,407,221)		(2,929,129)
	$	20,867,027	$	21,947,940

NOTE 5 – DEFERRED COSTS

Deferred costs at December 31, 2020 and 2019, consists of the following:

		2020		2019
Cost attributed to sales since inception (*)	$	257,370,368	$	168,605,349
Commissions		29,549,802		21,284,276
Closing costs		2,542,913		1,912,582
Incentive fees		46,870,382		33,223,785
		336,333,465		225,025,992
Less cost realized up to December 31:				
Cost of real estate sales		(226,266,939)		(139,963,946)
Commissions, closing costs and incentive fees		(60,754,957)		(43,136,376)
	$	49,311,569	$	41,925,670

(*) Transfer from real estate under development

NOTE 6 – RESTRICTED CASH

On November 30, 2017, DPC SPEC I, LLC entered into a $7,500,000 revolving line of credit agreement with First Security Bank of Nevada. Under terms of the agreement, DPC was required to maintain a deposit of $3,000,000 as a compensating balance, restricted as to use. At December 31, 2020 and 2019, the funds were held in a 12-month fixed term deposit account earning interest at 1.3%. Interest earned in each of the years 2020, 2019 and 2018 was $41,168, $39,079, and $39,079 respectively.

NOTE 7 – NOTE RECEIVABLE

In March 2018, the Company entered into a note agreement with a member for $5,000,000 in connection with the sale of a custom lot. The note requires annual principal installments of $1,000,000 beginning in March 2019 until paid in full. The note is without interest and is secured by the lot. The outstanding balance at December 31, 2020 and 2019 is $3,000,000 and $4,000,000, respectively.

NOTE 8 – DEFERRED REVENUE

Deferred revenues at December 31, 2020 and 2019, consists of the following:

NOTE 8 – DEFERRED REVENUE (CONTINUED)

		2020		2019
Lots sold - Type 1	$	140,707,588	$	109,542,588
Lots sold - Type 2		187,675,088		151,960,088
Lots sold - Type 3		113,715,000		96,200,000
Built product - Clubhouse Suites		43,174,226		-
Built product - Desert Villas		25,317,274		10,471,055
Built product - Desert Bungalows		78,099,990		50,200,496
Built product - Club Villas		17,507,834		13,982,500
Built product - Golf Cottages		9,887,634		2,200,000
Built product - Point Villas		23,047,464		15,789,991
		639,132,098		450,346,718
Less: Real estate sales recognized		(493,743,060)		(352,650,946)
	$	145,389,038	$	97,695,772

NOTE 9 – RELATED-PARTY TRANSACTIONS

On March 17, 2015, the Company entered into the Development Management Agreement with DLV Summerlin Management, LLC ("DLVSM"). Under the terms of the agreement, DLVSM agreed to provide sales, marketing, administrative and supervision services to the Project. DLVSM is entitled to a base management fee equal to 7.5% of the gross sales proceeds and memberships throughout the Project life. For the years ended December 31, 2020, 2019 and 2018, the Company incurred development management fees of $13,646,597, $7,549,848, and $7,522,750, respectively. These fees are included in deferred costs in the accompanying consolidated balance sheets. Beginning October 2020 labor services provided to the project ceased to be paid to Shared Staffing Services, another affiliated entity of DLVSM, and was paid to DLVSM. In 2020, $3,291,236 was paid to DLVSM and is included within real estate under development and related party receivables in the accompanying consolidated balance sheets, and cost of club operations and selling, marketing and other expenses in the accompanying consolidated statement of operations.

DPC leases office space from an entity affiliated with HHPI (see Note 14).

In 2020 and 2019, the Company entered into 8 construction contracts each year for approximately $31,700,000 and $29,500,000, respectively, with Discovery Builders Nevada, LLC ("DBN"), an affiliate of Discovery, to construct residential homes. Total payments made in 2020 and 2019 were $48,251,900 and $39,535,888, respectively, and are included in real estate under development in the accompanying consolidated balance sheets.

In September 2018, the Company entered into a contract with a member of Discovery for $4,625,488 to construct a residential home. The contract was revised in 2020 to $4,893,235 to account for buyer funded change orders totalling $267,747. Total payments received under the contract in 2020 and 2019 were $2,389,204 and $1,659,256, respectively, and is included in related-party payables in the accompanying consolidated balance sheets.

The Summit Community Association ("Association"), a non-profit corporation, is responsible for maintaining, operating and governing the common-interest community of the Project. Under terms of the

NOTE 9 – RELATED-PARTY TRANSACTIONS (CONTINUED)

Association's Declaration of Covenants, Conditions and Restrictions and Reservations of Easements, the Company is permitted to subsidize shortfalls of the Association's operating expenses in exchange for annual assessments on unsold lots. During 2020 and 2019, the shortfall subsidized to the Association were $2,102,667 and $1,029,065, respectively, and are included in homeowner's association subsidy in the accompanying consolidated statements of operations.

The following are the other related-party transactions for the periods ended December 31, 2020 and 2019, which are included in real estate under development or selling and marketing expenses:

	2020	2019
Discovery Land Ventures LLC - administrative expenses	$ 94,456	$ 278,096
Summit Club Realty LLC - commissions on closings	9,856,829	4,863,070
Denton House & Discovery Design Services - design services	2,635,455	1,939,544
Westman Development LLC - charter flight services	151,631	121,536
Recover Life LLC - beverage inventory for club events	-	2,200
Various Discovery Affiliate Clubs - shared overhead	92,625	71,872
Shared Staffing Services - affiliated entity of DLVSM that provides labor services to the Project	11,450,637	11,944,935

NOTE 10 – SPECIAL IMPROVEMENT DISTRICT BONDS

The Summerlin master planned community uses Special Improvement District (SID) bonds to finance certain common infrastructure, including the infrastructure of the Project. These bonds are issued by the municipalities and, although unrated, are secured by the assessments on the land. As of December 31, 2020 and 2019, the $184,102 and $311,830 balance of the bonds, respectively, is related to the parcel of land contributed by HHPI, which was transferred to DPC as a result of the formation of the Company, as discussed in Note 1. During 2020 and 2019 DPC paid principal and interest on the bonds of $41,934 and $34,780, respectively, and the interest portion is capitalized as a cost of the project. During 2020 and 2019, $85,794 and $76,974, of the outstanding bonds was relieved and transferred to the lot owners in connection with lot sales.

NOTE 11 – MEMBERSHIP DEPOSITS

DPC began selling refundable golf memberships at Summit Club in March 2017 for the purpose of permitting members the recreational use of the club facilities. DPC will construct a golf course and all club facilities in exchange for the golf memberships. The Club is a non-equity membership club. Members who resign are entitled to a refund, upon resale of the existing membership, equal to the greater of 80% of the then-current deposit price, or the amount previously paid by the resigning member. DPC currently intends, but may limit the number available in any category at its sole discretion, to issue the following types of memberships:

- 245 golf memberships
- 30 national golf memberships
- 100 social memberships

NOTE 11 – MEMBERSHIP DEPOSITS (CONTINUED)

A total of 42 and 18 golf memberships were sold during 2020 and 2019 for $8,550,000 and $3,500,000, respectively. A total of 3 memberships were refunded each year during 2020 and 2019 for $560,000 and $480,000, respectively. A total of 146 golf memberships were sold and 8 memberships were refunded for a net total of 138 golf memberships through December 31, 2020. No national golf or social memberships have been sold.

DPC has the right to issue 6 honorary memberships and 15 charter memberships. As of December 31, 2020, 2 honorary memberships have been granted.

NOTE 12 – LINE OF CREDIT

On November 30, 2017, DPC SPEC I, LLC entered into a loan agreement with First Security Bank of Nevada for a $7,500,000 revolving line of credit for the development and construction of spec units within the Project. In 2019, the line of credit was increased by $1,500,000, and the Company exercised its 12-month extension option. The Company executed a 24-month extension in November 2020. The loan matures November 30, 2022 and accrues interest at 6%. The outstanding balance due at December 31, 2020 and 2019 was $5,994,666. Estate lots 111, 112, 141, 144 and 149, currently secure the loan. Interest paid during 2020, 2019 and 2018 totalled $374,292, $333,913, and $131,693, respectively, and was capitalized into real estate under development. The Company is in compliance with its covenants as of December 31, 2020 and 2019.

NOTE 13 – FINANCE LEASE OBLIGATIONS

The finance leases relate to the acquisition of fitness equipment. The future minimum lease payments under the finance leases for the year ending December 31 is as follows:

2021	$	42,995
Total minimum lease payments		42,995
Less amount representing interest		(1,498)
Present value of future minimum lease payments	$	41,497

The annual implicit interest rate ranges from 14.3% to 16.5%.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

In October 2018, DPC relocated to a different suite and entered into an amended 56-month operating lease agreement for office space with The Shops at Summerlin LLC, an affiliate of HHPI. Under terms of the agreement, DPC may terminate the lease with 12-months' notice. Total payments made in 2020 and 2019 were $139,404 and $134,524, respectively, and are included in real estate under development in the accompanying consolidated balance sheets.

NOTE 14 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

The future minimum lease payments under all operating leases for the years ending December 31 are as follows:

2021	$	634,098
2022		600,477
2023		492,001
2024		376,317
2025		70,964
Thereafter		-
Total minimum lease payments	$	2,173,857

Rent expense totaled $378,701, $311,000 and $311,000 for the years ended December 31, 2020, 2019 and 2018, respectively, and is capitalized into real estate under development in the accompanying consolidated balance sheet or cost of club operations in the accompanying consolidated statement of operations.

NOTE 15 – CONCENTRATION OF RISK

The Company places its cash and cash equivalents with a financial institution insured by the Federal Deposit Insurance Corporation. Balances with this institution regularly exceed Federal Deposit Insurance Corporation insured limits; however, to manage the related credit exposure, the Company continually monitors the credit worthiness of the financial institution where it has deposits.

NOTE 16 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events for potential recognition and disclosure through March 23, 2021, the date the financial statements were available to be issued.