United States Tennis Association Incorporated and Affiliates

Consolidated Financial Statements
Years Ended December 31, 2019 and 2018

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Contents

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Independent Auditor's Report

The Board of Directors
United States Tennis Association Incorporated and Affiliates
White Plains, New York

We have audited the accompanying consolidated financial statements of United States Tennis Association Incorporated and Affiliates, which are comprised of the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of changes in net assets, activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of United States Tennis Association Incorporated and Affiliates as of December 31, 2019 and 2018 and the results of their operations and the changes in their net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

March 27, 2020

United States Tennis Association Incorporated and Affiliates

Consolidated Statements of Financial Position (dollars in thousands)

December 31,		2019		2018
Assets				
Current				
Cash and cash equivalents (Note 2)	$	**140,225**	$	104,279
Investments (Note 6)		**118,121**		110,770
Accounts receivable		**9,815**		8,461
Other current assets		**9,420**		7,139
Total Current Assets		**277,581**		230,649
Restricted Cash and Cash Equivalents (Note 2)		**15,755**		49,926
Debt Service Reserve Escrow (Note 2)		**29,556**		28,690
Long-Term Investments (Note 6)		**22,576**		20,280
Property, Building and Equipment, Net (Note 8)		**826,142**		863,689
Intangible Asset (Note 12)		**12,658**		12,658
Other Assets		**5,289**		5,420
Total Assets	$	**1,189,557**	$	1,211,312
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	$	**66,675**	$	82,614
Accrued interest payable		**12,314**		12,741
Deferred income		**19,354**		19,673
Current portion of debt payable (Note 10)		**18,311**		17,719
Total Current Liabilities		**116,654**		132,747
Debt Payable, less current portion and deferred debt finance costs, net (Note 10)		**680,025**		697,821
Deferred Income, less current portion		**22,750**		23,105
Deferred Rent (Note 15)		**3,441**		3,650
Other Liabilities		**2,060**		2,024
Total Liabilities		**824,930**		859,347
Commitments and Contingencies (Notes 2, 3, 9, 10, 11, and 15)				
Net Assets (Without Donor Restrictions)				
Net assets of controlling interest:				
General		**242,413**		229,992
Board-designated (Note 2)		**120,000**		120,000
Non-controlling interests in consolidated subsidiaries (Note 12)		**2,214**		1,973
Total Net Assets		**364,627**		351,965
Total Liabilities and Net Assets	$	**1,189,557**	$	1,211,312

See accompanying notes to consolidated financial statements.

United States Tennis Association Incorporated and Affiliates

Consolidated Statements of Changes in Net Assets (dollars in thousands)

Years ended December 31, 2019 and 2018

	Without Donor Restrictions				
	Controlling Interest				
	General	Board-Designated	Total	Non-Controlling Interest	Total
Net Assets, December 31, 2017	$ 244,247	$ 120,000	$ 364,247	$ 1,779	$ 366,026
(Loss) attributable to controlling interest	(14,255)	-	(14,255)	-	(14,255)[(a)]
Gain attributable to non-controlling interest	-	-	-	315	315[(a)]
Distributions to non-controlling interest	-	-	-	(121)	(121)
Net Assets, December 31, 2018	229,992	120,000	349,992	1,973	351,965
Gain attributable to controlling interest	12,421	-	12,421	-	12,421[(b)]
Gain attributable to non-controlling interest	-	-	-	351	351[(b)]
Distributions to non-controlling interest	-	-	-	(110)	(110)
Net Assets, December 31, 2019	$ 242,413	$ 120,000	$ 362,413	$ 2,214	$ 364,627

See accompanying notes to consolidated financial statements.

(a) Portion of $(13,940), representing consolidated net income.

(b) Portion of $12,772, representing consolidated net income.

United States Tennis Association Incorporated and Affiliates

Consolidated Statements of Activities (dollars in thousands)

Year ended December 31,	2019 (Without Donor Restrictions)	2018 (Without Donor Restrictions)
Operating Revenues		
US Open	$ **399,601**	$ 380,144
USA team events	**2,511**	3,056
Tour events (Note 12)	**35,674**	32,496
Membership	**18,964**	18,540
NTC tennis facility programs (other than US Open)	**6,615**	4,495
Community tennis leagues and tournaments, including National Campus (inclusive of state incentives)	**11,404**	8,458
Investment return allocated to operations (Note 7)	**7,400**	8,000
Other	**2,798**	2,769
Total Operating Revenues	**484,967**	457,958
Operating Expenses		
Program services:		
US Open:		
Direct expenses	**165,754**	152,620
Depreciation, pledge and debt interest expense	**76,558**	65,138
USA team events	**4,203**	6,401
Tour events (including depreciation) (Note 12)	**30,668**	29,600
Membership	**9,572**	10,413
NTC tennis facility programs (including depreciation and debt interest)	**12,576**	11,752
Community tennis, including National Campus:		
Grants to independent regional associations	**52,427**	50,793
Other community tennis programs (including depreciation)	**58,289**	52,335
Player development	**19,827**	20,211
Competitive Pathway and officials	**12,067**	10,731
Marketing, digital and other program services	**25,458**	24,904
Total Program Services	**467,399**	434,898
Administrative and supporting services (including depreciation and taxes)	**26,787**	26,118
Total Operating Expenses	**494,186**	461,016
Deficit of Operating Revenues Over Operating Expenses	**(9,219)**	(3,058)
Nonoperating Other Income and Deductions		
Investment return, net of amounts allocated to operations (Note 7)	**15,875**	(11,501)
Net gain on sale of tennis investments (Note 12)	**5,941**	195
Equity in gain of unconsolidated investees (Note 12)	**175**	424
Total Nonoperating Other Income and Deductions	**21,991**	(10,882)
Excess (Deficit) of Revenues Over Expenses	$ **12,772**	$ (13,940)

See accompanying notes to consolidated financial statements.

United States Tennis Association Incorporated and Affiliates

Consolidated Statements of Cash Flows (dollars in thousands)

Year ended December 31,		**2019**		2018
Cash Flows from Operating Activities				
Excess (deficit) of revenues over expenses	$	**12,772**	$	(13,940)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:				
Depreciation and amortization of leasehold improvements (Note 8)		**68,492**		61,001
Amortization of deferred issuance costs (Notes 10 and 11)		**516**		534
Gain on sale of securities, net (Note 7)		**(4,066)**		(4,061)
Unrealized (gain) loss on investments, net (Note 7)		**(14,442)**		9,943
Net gain on sale of investment in tennis tournaments (Note 12)		**(5,941)**		(195)
Undistributed equity in gain of investees, net (Note 12)		**(175)**		(424)
Loss on disposal of property, building and equipment (Note 8)		**66**		91
Changes in assets and liabilities:				
Decrease in accounts receivable		**1,259**		10,622
Increase in other assets		**(1,975)**		(1,953)
Increase (decrease) in accounts payable, accrued expenses and other liabilities		**5,883**		(4,170)
Decrease in deferred income		**(883)**		(2,732)
Net Cash Provided by Operating Activities		**61,506**		54,716
Cash Flows from Investing Activities				
Property, building and equipment, net		**(53,223)**		(165,426)
Increase in debt service reserve escrow		**(866)**		(3,016)
Proceeds from sale of tennis investment (Note 12)		**3,327**		195
Purchase of investments		**(18,965)**		(13,801)
Proceeds from sales of investments		**27,825**		53,185
Net Cash Used in Investing Activities		**(41,902)**		(128,863)
Cash Flows from Financing Activities				
Issuance of 2018 private placement debt, net of issuance (Note 10)		**-**		149,541
Borrowings on senior secured revolving credit facility (Note 10)		**-**		40,000
Repayments on senior secured revolving credit facility (Note 10)		**-**		(40,000)
2017 term loan facility, net of issuance costs (Note 11)		**-**		21,500
Scheduled payment of debt payable		**(16,086)**		(17,150)
2017 term loan facility payment of debt payable		**(1,633)**		-
Distribution to non-controlling interest (Note 12)		**(110)**		(121)
Borrowings on short-term bank loan (Note 9)		**-**		24,000
Repayments on short-term bank loan (Note 9)		**-**		(24,000)
Net Cash (Used in) Provided by Financing Activities		**(17,829)**		153,770
Net Increase in Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents		**1,775**		79,623
Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, beginning of year		**154,205**		74,582
Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, end of year	$	**155,980**	$	154,205
Supplemental Disclosures of Cash Flow Information				
Cash paid during the year for:				
Interest	$	**27,242**	$	22,318
Taxes		**60**		168
Supplemental Disclosures of Noncash Financing and Investing Activities				
Property, building and equipment purchased through accounts payable/accrued expenses and other liabilities	$	**18,518**	$	40,730

See accompanying notes to consolidated financial statements.

1. Organization

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of United States Tennis Association Incorporated (USTA), USTA National Tennis Center Incorporated (NTC), USTA Player Development Incorporated (PD), Cincinnati Tennis, LLC (Cincy) and US Open Series, LLC (USOS). Together, such companies are hereafter collectively referred to as the "Organization." All significant due to/due from accounts and transactions between such companies have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP). Management of the Organization makes estimates and judgments in preparing the consolidated financial statements in accordance with such accounting principles. Those estimates and judgments affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The significant estimates used by management include the useful lives of depreciable fixed assets, allowances for doubtful accounts receivable, the valuation of alternative investments and certain accrued liabilities, including deferred income. Actual results may vary from the reported results.

Operations

USTA is a New York State not-for-profit membership organization whose purpose is to:

- promote the development and growth of tennis as a means of healthful recreation and physical fitness
- sponsor and operate the United States Open Tennis Championship (US Open), the pre-eminent international tennis competition in the United States, open to male and female professional and amateur tennis players
- establish and maintain rules of play and high standards of conduct and good sportsmanship
- foster national and international tennis tournaments and competitions
- encourage, sanction and conduct tennis tournaments and competitions open to athletes without regard to gender, race, creed, color, or national origin and under the best conditions possible so as to effectively promote the game of tennis with the general public
- generally encourage through tennis the development of health, character, and responsible citizenship

USTA is the recognized national governing body in the sport of tennis and is a member of the US Olympic Committee.

USTA is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code (the Code).

USTA is the sole member of NTC (501(c)(3) organization) and such organizations have identical Boards of Directors. NTC is a New York State not-for-profit corporation organized by USTA, whose purpose is to:

- operate the USTA Billie Jean King National Tennis Center (NTC Facility), which is a complex of four tennis stadia (Arthur Ashe, Louis Armstrong, Grandstand and Court 17) as well as indoor and outdoor courts. These facilities and the land on which they are situated are leased from the City of New York.
- provide a venue for the holding of the US Open
- foster national and international sports competitions
- establish, administer and promote programs devoted to the development of tennis as a means of healthful recreation and physical fitness
- conduct special events in accordance with the terms of the ground lease with the City of New York, such as arts, theatrical, community and live athletic events at the NTC Facility. The NTC Facility, therefore, not only houses the NTC's current year-round tennis programs, but also is available for additional tennis activities conducted by other organizations, as well as public recreational events, ethnic and community festivals, scholastic athletic events and other public spectator events.

USTA is also the sole member of PD (501(c)(3) organization) and such organizations have identical Boards of Directors. PD is a New York State not-for-profit corporation organized by USTA whose purpose is to:

- educate and train young people in the sport of tennis through a clearly defined structure and competitive pathway, as well as through the implementation of a comprehensive coaching philosophy
- provide services to young tennis players, including assistance with evaluating college tennis; supporting and promoting junior tennis competition; evaluating and disseminating sports science and sports medicine information; and identifying and tracking young tennis talent through competitions and coaches and offering coaching and training support through invitations to player-development camps
- provide assistance to individuals through the making of grants to support the charitable programs that PD conducts

USOS was organized by USTA to operate and manage television and marketing initiatives for a series of professional tennis tournaments known as the US Open Series. USOS has contributed to increased viewership and visibility, helping grow the sport of tennis in the United States. USOS was organized in Delaware, pursuant to that state's Limited Liability Act. Taxable income and related taxes, if any, are the responsibility of its sole member, USTA.

Cincy was organized to operate the Western and Southern Financial Group Masters tournaments (Masters Tournament). In March 2009, Cincy acquired TCI Ventures, LLC to obtain the ATP Tour, Inc. (ATP) World Tour Sanction (Sanction) for the Masters Tournament. Cincy leases the women's sanction from Octagon, Inc. For 2019 and 2018, USTA's ownership interest was 93.8%. The remaining interest is owned by former members of TCI Ventures, LLC and by Octagon, Inc., and is reported as a non-controlling interest in the accompanying consolidated financial statements. Taxable income and related taxes of Cincy, if any, are the responsibility of each of its members.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the classes of net assets—with donor restrictions and without donor restrictions—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

With Donor Restrictions – This class consists of net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization, pursuant to those stipulations. When such stipulations end or are fulfilled, such donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities. Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or other removed by actions of the Organization are classified as net assets with donor restrictions-perpetual in nature.

Without Donor Restrictions – This class consists of the part of net assets that is not restricted by donor-imposed stipulations.

The Board of Directors designates a portion of general net assets without donor restrictions for specific purposes. Funds designated by the Board of Directors for ongoing operations of $120,000 are to fund a portion of the Organization's following year's operating expenses, fund the following year's debt service, allow for market fluctuations in the long-term investment portfolio, and provide grants to independent regional associations for one year in the event that the US Open fails to provide adequate funds to meet those needs in any given year.

Cash and Cash Equivalents

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18 "Statement of Cash Flows (Topic 230): Restricted Cash" (ASU 2016-18). ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2018. The Organization has adopted this ASU and has applied the retrospective transition method for each period presented.

The Organization considers investments with financial institutions and securities brokers, with maturities of less than 90 days when purchased, to be cash equivalents. At various times during the year, the Organization may have deposits at financial institutions that exceed federally insured limits. These financial institutions have strong credit ratings and management believes credit risks related to these deposits are minimal.

(dollars in thousands)

December 31,		**2019**		2018
Cash and cash equivalents	$	**140,225**	$	104,279
Restricted cash and cash equivalents		**15,755**		49,926
Total	$	**155,980**	$	154,205

Restricted Cash and Cash Equivalents

NTC has restricted cash and cash equivalents on deposit with two major financial institutions. As of December 31, 2019 and 2018, the amounts on deposit with such institutions included temporarily invested Private Placement Financing proceeds discussed in Note 10 of $15,755 and $49,926, respectively, dedicated to financing the NTC Improvements discussed in Note 8.

Debt Service Reserve Escrow

As of December 31, 2019 and 2018, NTC had restricted cash and securities on deposit with a major financial institution, one of which acts as a trustee for the Noteholders. As of December 31, 2019 and 2018, the amounts on deposit with the institution included a six-month debt service reserve of $29,556 and $28,690, respectively.

Fair Value Measurements

The FASB Accounting Standards Codification (ASC) 820, "Fair Value Measurement," establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are those that market participants operating within the same marketplace as the Organization would use in pricing the Organization's asset or liability based on independently derived and objectively determinable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Organization are traded. The Organization estimates the price of any assets for which there are only unobservable inputs by using assumptions that other market participants that have investments in the same or similar assets would use, as determined by the money managers administering each investment based on the best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable, as follows:

Level 1 – Valuation is based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuation is based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly. The fair value of such investments is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

Level 3 – Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Contract Assets

Amounts related to services provided to customers that have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract asset balances typically consist of services provided to customers who are still receiving services at the end of the year.

Property, Building and Equipment

Property, building and equipment are reported at historical cost. The Organization depreciates property, building and equipment using the straight-line method (half-year convention in the year of acquisition or placement into service) over the estimated useful lives of the assets. USTA follows a policy of capitalizing all fixed-asset acquisitions in excess of $2,000 and with an estimated useful life of one year or more.

The estimated useful lives of the assets are as follows:

	Life (Years)
Building and improvements	10-30
Furniture and fixtures	5-10
Machinery and equipment	5-15
Computer hardware and software	3-5

Leasehold improvements are amortized over the term of the lease or the life of the improvement, whichever is less. Additions and betterments are capitalized, and repairs and maintenance are charged to operations in the period incurred.

Costs incurred during the preliminary project stage of computer software developed for internal use are expensed as incurred and computer software costs incurred during the application development stage are capitalized. Amortization commences once the software is ready for its intended use and is placed in service. The capitalized costs are amortized over their estimated useful life, generally three to five years.

Deferred Debt Finance Costs

Deferred debt finance costs are primarily amortized over the life of each series using the effective interest rate method and presented as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts.

Contract Liabilities

Contract liabilities consist of payments made by customers for goods and services not yet performed or delivered and are expected to be performed or delivered within the next fiscal year.

Concentrations

The Organization generated slightly more than 82% of its operating revenues, excluding barter received, from the US Open in 2019 and 2018. These revenues arise from various sources, including broadcast rights, ticket sales, sponsorships and licensing.

Contribution Revenue

Contributions are recorded as revenue when either unsolicited cash is received or when donors make a promise to give. Contributions and promises to give are classified within other revenues as with or without donor restrictions.

Rental Income

Rental income is recognized based on the lease agreements. Leases are reflected on the straight-line basis. Accrued rental income is accrued when material.

Gross Versus Net Revenue Recognition

In the normal course of business, the Organization acts as an intermediary or agent in executing certain transactions with third parties. Such transactions are recorded on a “gross” or “net” basis depending on whether the Organization is acting as the “principal” in a transaction or acting as an “agent” in the transaction. The Organization serves as the principal in transactions in which it has substantial risks and rewards of ownership and, accordingly, records revenue on a gross basis. For those transactions in which the Organization does not have substantial risks and rewards of ownership, the Organization is considered an agent in the transaction and, accordingly, records revenue on a net basis. To the extent that revenues are reported on a gross basis, any commissions or other payments to third parties are reported separately as expenses so that the net amount (gross revenues less expenses) is reflected in changes in net assets.

Accordingly, the impact on changes in net assets is the same whether the Organization records revenue on a gross or net basis.

Methods used for Allocation of Expenses

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses include depreciation and amortization, facility expenses, telephone expenses, health and benefit and general third-party processing expenses, and the information technology department. Depreciation and amortization, facility expenses, and telephone expenses are allocated based on square footage, health and benefits and general third-party service providers are allocated based on headcount, and the information technology department is allocated based on estimates of time and costs to support specific areas.

Investment Return

Income from investment gains and losses, including unrealized gains and losses, dividends and interest, are reported as increases (or decreases) in net assets without donor restrictions, unless the use of the income received is limited by donor-imposed restrictions.

Income Taxes

USTA, NTC, USOS and PD are not-for-profit organizations that are exempt from income taxes under the Code, except for immaterial amounts of income considered by the Internal Revenue Service (IRS) to be unrelated business taxable income, for which income taxes have been provided. The Organization has filed all applicable returns when required. USTA's share of income taxes for Cincy has been provided, pursuant to the operating agreement with the other members of these organizations. For the years ended December 31, 2019 and 2018, there were no interest or penalties required to be recorded or disclosed in the consolidated financial statements. In addition, the Organization has not taken an unsubstantiated tax position that would require provision of a liability. The Organization believes it is no longer subject to income tax examinations for the years prior to 2016.

Advertising Costs

The Organization expenses advertising costs as they are incurred. The Organization recognized advertising expense of $11,304 and $11,421 for the years ended December 31, 2019 and 2018, respectively, in the accompanying consolidated statements of activities. These are advertising expenses for the US Open, US Open Series, Western and Southern Financial Group Masters tournaments and community tennis programs.

In addition to the above, the Organization received barter advertising with an estimated fair market value to USTA of $7,030 and $6,606 for the years ended December 31, 2019 and 2018, respectively. Such amounts are included in various operating revenue and operating expense lines in the consolidated statements of activities.

Contributed Services

The Board of Directors and many other volunteers have contributed services involving significant amounts of time to the Organization. These contributed services are not reflected in the consolidated financial statements, as such services do not meet the requirements for recognition.

Indefinite Lived Intangible Assets

The indefinite lived intangible assets of the Organization are tested annually for impairment or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of the indefinite lived intangible asset with its carrying amount. If the carrying amount of the indefinite lived intangible asset exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess. There were no impairment losses recognized in 2019 and 2018.

Non-Controlling Interest

The Organization reports non-controlling interests, sometimes referred to as minority interests, as part of total net assets in the consolidated statements of financial position. Furthermore, the Organization reports the changes in net assets of both the controlling and non-controlling interests, for all periods presented, in the consolidated statements of changes in net assets.

Reclassifications

Certain prior-year amounts have been reclassified to conform to the current-year presentation. The impact of these reclassifications was not material to the Organization's consolidated financial statements.

Recently Adopted Accounting Pronouncement

Revenues

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cashflows arising from contracts with customers, including significant judgements and changes in judgements. The provisions of ASU 2014-09 became effective and was adopted for the Organization beginning January 1, 2019.

Effective January 1, 2019, the Organization elected the modified retrospective approach in adopting ASU 2014-09 to all contracts under the scope of the guidance. The adoption of this ASU did not have a material impact on the consolidated financial statements. The related presentation of "allowances for doubtful accounts" on the consolidated statements of financial position has been eliminated as a result of adoption.

In June 2018, the FASB issued ASU 2018-08, "Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." The update clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred, which, depending on the outcome, determines whether the Organization follows contribution guidance or exchange transactions guidance in the revenue recognition and other applicable standards. The update also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The guidance is effective for the Organization's fiscal year 2019, and the adoption of this update did not have a material impact on the Organization's consolidated financial statements.

Cash Flows

In November 2016, the FASB issued ASU 2016-18 "Statement of Cash Flows (Topic 230): Restricted Cash" (ASU 2016-18). ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2018. The Organization has adopted this ASU and has applied the retrospective transition method for each period presented.

Notes to Consolidated Financial Statements (dollars in thousands)

Recently Issued Accounting Pronouncements

Accounting for Leases

On February 25, 2016, the FASB issued ASU 2016-02, “Leases,” which will require lessees to recognize a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2020, and the Organization is currently evaluating the impact of the pending adoption.

3. Liquidity and Availability of Resources

The Organization’s financial assets available within one year of the statements of financial position date for general expenditure are as follows:

December 31,		**2019**		2018
Cash and cash equivalents	**$**	**140,225**	$	104,279
Investments		**118,121**		110,770
Accounts receivable, net		**9,815**		8,461
Resources Available for General Expenditures	**$**	**268,161**	$	223,510

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. Investments, further discussed in Note 6, include foreign and domestic common stock, publicly traded mutual funds, common collective trusts and alternative investments, all of which can be liquated within 12 months. To help manage unanticipated liquidity needs, the Organization has committed lines of credit in the amount of $50,000, which it could draw upon.

4. Revenue Recognition

The Organization adopted ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), on January 1, 2019. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined below:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Organization recognizes revenue when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services. ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Organization has identified tickets, broadcasting rights, corporate sponsorships, corporate hospitality and service revenues, USTA membership, tennis programs, and other contracted revenues as revenue categories subject to the adoption of ASC 606.

Notes to Consolidated Financial Statements (dollars in thousands)

The results of ASC 606 did not have a material impact on the consolidated financial position, changes in net assets, cash flows, business processes, controls or systems of the Organization.

Transactions with Multiple Elements

The Organization has entered into certain revenue transactions, such as the licensing of broadcasting rights, corporate sponsorship transactions, corporate hospitality and services and the sale of memberships that involve the delivery of multiple elements to the buyer. In accounting for these transactions, the Organization must evaluate whether there is objective evidence of fair value for each individual element delivered and, if so, account for each element of the transaction separately, based on relevant revenue recognition accounting policies. An allocation of revenue is made to all elements for which fair value is determinable. The balance of consideration received for which the fair value is not determinable is allocated to the remaining elements.

Revenues with customers is comprised of:

December 31,	**2019**	2018
Ticket revenues	$ **161,255**	$ 153,338
Broadcast revenues	**140,021**	133,365
Sponsorship revenues	**98,604**	91,481
Corporate hospitality and service revenues	**42,435**	39,502
Membership revenues	**18,964**	18,540
Tennis programs	**7,899**	7,365
Other contracted	**6,354**	4,369
Total Revenue from Contracts Subject to ASC 606	**475,532**	447,960
Total Other Revenues Not Subject to ASC 606 (1)	**9,435**	9,998
Total Operating Revenues	$ **484,967**	$ 457,958

(1) Other revenues not subject to ASC606 include Investment Return Allocated to Operations, rental income, contributions and state incentives related to a relocation to Florida.

Ticket Revenues

Ticket revenues are principally sourced from the US Open and the Western and Southern Financial Group Masters Tournament (Tournaments). Ticket revenues, net of admissions taxes, amounted to $161,255 and $153,338 for the years ended December 31, 2019 and 2018, respectively. Sales of tickets to attend Tournaments are derived from a wide range of individuals and corporations prior to and at the Tournaments. Ticket revenues are deferred until the point in time in which the Tournaments occur.

Broadcasting Revenues

Broadcasting revenues are predominately from Tournaments earned through more than 10 exclusive television rights agreements with domestic and international broadcasters who provide consideration predominately in the form of cash and, in certain cases, value in kind in exchange for which the material contracts extend through December 2025. The aggregate gross revenues derived from cash consideration for such agreements for the years ended December 31, 2019 and 2018 were $134,537 and $128,454, respectively. In addition, the estimated value of broadcasting barter revenue received for the years ended December 31, 2019 and 2018 were $7,030 and $6,415, respectively. Such agreements are subject to termination and renewal clauses. Pursuant to the Organization's policy of accounting for transactions with multiple elements described elsewhere herein, a portion of the aggregate gross revenues derived from television rights agreements specified above has been allocated to ticket revenue. Accordingly, for financial reporting and disclosure purposes, $1,546 in 2019 and $1,504 in 2018 of the aggregate broadcasting revenues specified above have, instead, been included in the amounts reported under the caption "Ticket Revenues" elsewhere in this Note 4. In total for the years ended December 31, 2019 and 2018, cash consideration and barter offset by amounts reported under ticket revenues result in net broadcasting revenues of $140,021 and $133,365, respectively.

The Organization's performance obligations consist of the conduct of the Tournaments to enable the production of a broadcast. The terms of broadcasting arrangements are such that rights are assigned to individual events that occur annually and are satisfied at the point in time when the respective event to which they pertain occurs. Accordingly, the Organization does not have any unsatisfied performance obligations as of year-end. The Organization characterizes the intellectual property (IP) associated with the Tournaments as functional IP and recognizes the revenue associated with the licensing of these rights at the point in time the Tournaments occur.

Sponsorship Revenues

Sponsorship revenues involve various forms of sponsorship for the US Open, Western and Southern Financial Group Masters tournaments, US Open Series, Davis/Fed Cups and USTA National Campus. Sponsorship revenues are derived from over 35 sponsorship agreements with counterparties who provide consideration predominately in the form of cash and, in certain cases, value in kind in exchange for acknowledgement, marketing rights, customer activations and advertising. Most of these sponsorships are multi-year contracts extending through December 31, 2021. The gross aggregate revenues derived from cash consideration from such agreements for the years ended December 31, 2019 and 2018 were $110,849 and $103,412, respectively. In addition, the estimated value of sponsorship barter revenue received for the years ended December 31, 2019 and 2018 were $5,546 and $4,517 respectively. Such agreements are subject to termination and renewal clauses. Pursuant to the Organization's policy of accounting for transactions with multiple elements described elsewhere herein, a portion of the aggregate gross revenues derived from sponsorship agreements specified above has been allocated to ticket revenue. Accordingly, for financial reporting and disclosure purposes, $17,791 in 2019 and $16,448 in 2018 of the aggregate sponsorship revenues specified above have, instead, been included in the amounts reported under the caption "Ticket Revenues" and "Corporate Hospitality and Services Revenues" elsewhere in this Note 4. Revenues are recognized when the event is conducted. In total for the years ended December 31, 2019 and 2018, cash consideration and barter offset by amounts reported under ticket revenues and corporate hospitality and service revenues result in net sponsorship revenues of $98,604 and $91,481, respectively.

(dollars in thousands)

Contracts with corporate sponsors cover multi-year periods with the amount of consideration attributable to each period indicated in the contract. Each year's performance obligations relate to the unique events and activation plan for a given year. The Organization's performance obligations are satisfied at a point in time and the contractual consideration for a given year is recognized once those performance obligations are fulfilled.

Corporate Hospitality and Services Revenues

The Organization generates certain revenues predominately associated with the conduct of Tournaments. These revenues consist of sales for corporate hospitality, licensing agreements for food and beverage and merchandising sold on-site at the Tournaments, royalties associated with the manufacture and sales of merchandise bearing Tournaments marks and other miscellaneous revenues.

Disaggregated corporate hospitality and service revenues are as follows:

December 31,	**2019**	2018
Hospitality sales	**$ 19,002**	$ 17,913
Licensing food and beverage	**14,599**	13,275
Licensing merchandise	**7,609**	7,023
Royalties	**1,225**	1,291
Total Corporate Hospitality and Service Revenues	**$ 42,435**	$ 39,502

Sales of corporate hospitality are sold predominately in fiscal periods prior to the Tournaments. All such revenues are deferred until the point in time the Tournaments occur. Licensing for food and beverage and merchandise sales includes minimum guarantees and is recognized at a point in time when the Tournaments occur. Royalties are recognized in the period the manufacture or sale of the item giving rise to the royalty occurs.

USTA Memberships' Revenue

USTA memberships' revenue are considered refundable exchange transactions from clubs and individuals signing up for a membership. Each year, performance obligations include allowing members access to participate in USTA Leagues Tennis Programs and USTA Tournaments, providing USTA tennis publications and enabling USTA members to take advantage of various discount promotions. The gross aggregate revenues from membership for the years ended December 31, 2019 and 2018 were $18,964 and $18,540, respectively. The Organization accounts for the performance obligations of the multiple elements under membership revenue in the consolidated statements of activities and recognizes the sale of memberships over time based on the duration of the membership. USTA memberships are refundable on a pro-rata basis based on the duration remaining on the membership. At December 31, 2019 and 2018, USTA has determined the estimate of refunds are not material to financial statements.

Tennis Program Revenue

Tennis program revenue includes on court tennis programs, tennis court rentals and registration fees. The performance obligation for tennis program revenues is recognized when the service or deliverable is provided to the customer.

(dollars in thousands)

Service revenues by type is as follows:

December 31,		**2019**		2018
Tennis programs	**$**	**4,331**	$	3,935
Tennis court rentals		**912**		890
Registration fees		**2,656**		2,540
Total Tennis Program Revenues	**$**	**7,899**	$	7,365

Other Contracted Revenues

Other revenues are predominately from NTC facility license fee for hosting special events at the Billie Jean King National Tennis Center, revenue in Team Events for USTA's participation in the Davis and Fed Cup, parking revenue from Tournaments and various other contracted revenues. These revenues are recognized in the period the respective transaction occurs. There are no performance obligations beyond those satisfied at the point in time the event occurs. All of these revenues relate to the current fiscal period and there are no deferred revenues associated with the transactions classified as other revenues.

Receivables and contract balances from contracts with customers are as follows:

December 31,	Receivables		Contract Assets		Contract Liabilities	
	2019	2018	**2019**	2018	**2019**	2018
Beginning of year	**$ 7,848**	$ 16,580	**$ -**	$ -	**$ 33,834**	$ 35,309
End of year	**7,136**	7,848	**-**	-	**33,495**	33,834

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(dollars in thousands)

5. Analysis of Expenses by Function and Nature

Below is an analysis of expenses by function and nature:

December 31, 2019

	Program Services	Administration and Other Costs	Total
Player compensation	$ 68,126	$ -	$ 68,126
Grants	57,658	-	57,658
Depreciation, amortization and related write- off of property, building and equipment	66,101	2,973	69,074
Payment of bond interest	26,730	-	26,730
Compensation	52,701	13,052	65,753
Compensation seasonal	6,002	-	6,002
401k Match and discretionary contribution	2,262	488	2,750
Payroll taxes	4,256	688	4,944
Other employee benefits	5,765	1,254	7,019
Professional services	30,067	2,182	32,249
Occupancy and office expense	18,857	1,155	20,012
Advertising/printing and publications	14,834	61	14,895
Insurance	3,512	2,218	5,730
Barter	12,138	-	12,138
Event production and all other expenses	98,390	2,716	101,106
Total Functional Expenses	$ 467,399	$ 26,787	$ 494,186

December 31, 2018

	Program Services	Administration and Other Costs	Total
Player compensation	$ 64,315	$ -	$ 64,315
Grants	55,879	-	55,879
Depreciation, amortization and related write- off of property, building and equipment	58,400	3,226	61,626
Payment of bond interest	19,731	-	19,731
Compensation	51,239	12,223	63,462
Compensation seasonal	5,076	-	5,076
401k Match and discretionary contribution	2,234	484	2,718
Payroll taxes	4,270	662	4,932
Other employee benefits	5,653	1,201	6,854
Professional services	29,299	2,439	31,738
Occupancy and office expense	15,939	1,064	17,003
Advertising/printing and publications	15,092	62	15,154
Insurance	3,285	2,293	5,578
Barter	11,091	-	11,091
Event production and all other expenses	93,395	2,464	95,859
Total Functional Expenses	$ 434,898	$ 26,118	$ 461,016

6. Financial Instruments and Fair Value

The Organization's holdings in publicly traded stocks and publicly traded mutual funds consist principally of debt and equity securities carried at their aggregate market value, as determined by quoted market prices. The valuation of such investments is based on Level 1 inputs within the hierarchy used in measuring fair value.

Interests in common/collective trusts and private mutual funds are carried at the stated unit values provided by the investment managers of the funds. Each of these investment managers provides observable detailed information about the underlying securities, all of which are publicly traded securities (equities, treasuries and bonds) and can be liquidated daily or monthly, depending on the investment. Given the fact that these common/collective trusts and private mutual funds do not have quoted market prices and/or are not actively traded, they are valued at net asset value (NAV) and are not classified within the fair value hierarchy.

Alternative investments are those made in limited partnerships, offshore limited liability companies and private equity concerns, and are reported at fair value as estimated by the general partners. These investments, which are valued at NAV, have not been classified in the fair value hierarchy. Given the absence of market quotations, their fair value is estimated using information provided to the Organization by the investment managers or general partners. The values are based on estimates that require varying degrees of judgment and, for fund of funds investments, are primarily based on financial data supplied by the investment managers of the underlying funds. Individual investment holdings within the alternative investments may include investments in both nonmarketable and market-traded securities. Nonmarketable securities may include equity in private companies, real estate, thinly traded securities, and other investment vehicles. The investments may indirectly expose the Organization to the effects of securities lending, short sales of securities, and trading in futures and forward contracts, options, swap contracts, and other derivative products. While these financial instruments entail varying degrees of risk, the Organization's exposure with respect to each such investment is limited to its carrying amount (fair value, as described above) in each investment plus the Organization's commitment to provide additional funding, as described in the following paragraph. The financial statements of the investees are audited annually by nationally recognized firms of independent auditors. USTA does not directly invest in the underlying securities of the investment funds and, due to restrictions on transferability and timing of withdrawals from the limited partnerships, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

Certain alternative investments, which include private equity investments, have rolling lockups ranging from one to three years. In addition, for the period ending December 31, 2019 and 2018, the carrying values of private equity investments do not include future funding commitments of $16,526 and $18,300, respectively, to be paid by USTA as future investment opportunities become available. Each of these private equity investments is reported within "long-term investments" in the noncurrent assets section of the consolidated statements of activities.

Notes to Consolidated Financial Statements (dollars in thousands)

The following table identifies assets measured at fair value and NAV on a recurring basis:

December 31,	**2019**	2018
Level 1:		
Cash and cash equivalents	$ **140,225**	$ 104,279
Foreign and domestic common stock	**15,967**	10,461
Publicly traded mutual funds:		
Natural resources	**1,749**	2,398
International equities	**6,085**	6,052
Fixed-income instruments	**11,117**	12,961
Restricted cash and cash equivalents:		
Cash	**3,340**	11,026
Corporate and government fixed-income securities	**12,415**	38,900
Debt service reserve escrow:		
Cash	**164**	5,843
Corporate and government fixed-income securities	**29,392**	22,847
	220,454	214,767
Investments valued at NAV[1]:		
Common/collective trusts and private mutual funds	**47,647**	42,519
Alternative investments and private equity	**58,132**	56,659
Total	$ **326,233**	$ 313,945

[1] Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts prescribed in this table are intended and permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of activities.

Investments for which fair value is estimated using the reported NAV, or the equivalent, are summarized as follows:

December 31, 2019

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common/collective trusts and private mutual funds:				
Fixed income	$ 11,410	$ -	Daily	10 days
Global ex-U.S. equity	25,259	-	Monthly	15 days
Emerging markets	10,978	-	Monthly	30 days
Total	$ 47,647	$ -		
Alternative investments:				
Absolute return	$ 14,601	$ -	Semiannually	60-65 days
Hedge fund	20,955	-	Annually	30-90 days
Private equity	22,576	16,526	*(a)*	*(a)*
Total	$ 58,132	$ 16,526		

Notes to Consolidated Financial Statements (dollars in thousands)

December 31, 2018

		Fair Value		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common/collective trusts and private mutual funds:						
Fixed income	$	13,179	$	-	Daily	10 days
Global ex-U.S. equity		20,405		-	Monthly	15 days
Emerging markets		8,935		-	Monthly	30 days
Total	$	42,519	$	-		
Alternative investments:						
Absolute return	$	14,718	$	-	Semiannually	60-65 days
Hedge fund		21,661		-	Annually	30-90 days
Private equity		20,280		18,300	[a]	[a]
Total	$	56,659	$	18,300		

[a] Redemption not permitted; distributions require liquidation of underlying assets.

7. Investment Return Presentation

The following schedule summarizes the investment portfolio return:

Year ended December 31,		**2019**		2018
Dividend and interest income (net of interest expense, excluding debt interest, and investment fees)	**$**	**4,767**	$	2,381
Realized gain, net		**4,066**		4,061
Change in unrealized gain (loss), net		**14,442**		(9,943)
		23,275		(3,501)
Investment return allocated to operations		**(7,400)**		(8,000)
Investment Return, net of amounts allocated to operations	**$**	**15,875**	$	(11,501)

USTA has reported a portion of the return on the investment portfolio as a source of funding for operating expenditures and is noted in the table above as “investment return allocated to operations.” This amount is not to exceed 5% of the average market value of the last 12 quarters of the total investment portfolio or the market value of the previous year (inclusive of any uninvested cash), whichever is less (amounts not based on the actual return of the investment portfolio). This amount is presented in the consolidated statements of activities as “investment return allocated to operations,” a separate line item within operating revenue. It amounted to $7,400 and $8,000 for the years ended December 31, 2019 and 2018, respectively. A corresponding deduction is included within “nonoperating other income (loss) and deductions” in order to reflect the amounts reported in operations. Actual cash deposits or withdrawals from the investment portfolio can vary each year, depending on business needs.

(dollars in thousands)

8. Property, Building and Equipment, Net

Property, building and equipment, net, consist of the following:

December 31,		**2019**		2018
Land, building and improvements	$	**11,342**	$	11,342
Leasehold improvements		**1,179,531**		1,164,497
Machinery and equipment		**102,767**		124,260
Computer hardware and software		**63,856**		34,758
Furniture and fixtures		**67,773**		60,524
Construction-in-progress		**15,298**		14,761
		1,440,567		1,410,142
Less: accumulated depreciation and amortization		**(614,425)**		(546,453)
Net Property, Building and Equipment	$	**826,142**	$	863,689

Depreciation and amortization expense was $68,492 and $61,001 for the years ended December 31, 2019 and 2018, respectively, which has been attributed to US Open, Tour Events, NTC Facility Programs, Community Tennis and Administration on the consolidated statements of activities based on the nature and function of the underlying depreciable assets.

As of December 31, 2019 and 2018, $43,730 and $16,195, respectively, of computer software costs have been capitalized. Accumulated amortization for such software costs is $27,548 and $14,130 as of December 31, 2019 and 2018, respectively.

Construction-in-progress included various site-wide improvements at the NTC Facility. The Organization has substantially completed the construction of certain projects (retractable roof over Arthur Ashe Stadium, a new Louis Armstrong, a new Grandstand stadium and ticket office) and continues to formulate plans for a transformation of the NTC Facility, which includes new broadcast facilities and other facility enhancements. The remaining cost for this transformation is estimated to be approximately $9,000, which, together with the property, building and equipment of $18,518 purchased through accounts payable/accrued expenses as disclosed on the cash flow, is being funded with the private placement financings described in Note 10, as well as by cash and cash equivalents, investments and revenue generation.

Capitalized Interest

For the years ended December 31, 2019 and 2018, the Organization capitalized interest of $168 and $3,177, respectively, on qualifying assets.

9. Line of Credit and Irrevocable Letter of Credit

USTA has an unsecured line of credit with a financial institution in the amount of $50,000 that was renewed for a one-year term through December 31, 2020. The Organization has two different borrowing options when utilizing this line, including London Interbank Offered Rate (LIBOR) for borrowings exceeding 30 days, or the prime rate. In 2019, the USTA did not borrow from the line of credit. Accrued interest on the line of credit is payable monthly. No principal nor interest amounts were outstanding on December 31, 2019 or 2018. There was no interest expense related to this line of credit for both years ended December 31, 2019 and 2018.

(dollars in thousands)

As part of the site-wide improvements at the NTC Facility, NTC established irrevocable letters of credit with one beneficiary, an insurance underwriter, for $12,435, as part of NTC's Owner Construction Insurance Policy Program. There were no drawings against these letters of credit in 2019 and 2018.

10. Private Placement Financing

In 2014, 2016, and 2018, NTC entered into a series of transactions collectively referred to as the Private Placement Financings (Private Placement). The Private Placement consisted of $750,000 Senior Secured Fixed Rate Notes (Notes). The proceeds of such financings were used to legally defease all series of bonds outstanding in 2014, fund the Debt Service Reserve Account and provide financing for capital improvements at the NTC Facility, as discussed in Note 8.

The following table provides an overview of the Notes Facility and Term Loan Facility discussed in Note 11:

	Notes, Series A	Notes, Series B	Notes, Series C	Note Series D	Term Loan Facility (Note 10)	Total
Date of funding	September 8, 2014	September 8, 2014	May 26, 2016	June/July 2018[a]	June 30, 2017	
Principal amount at inception	$ 75,000	$ 325,000	$ 200,000	$ 150,000	$ 25,000	$ 775,000
Term	10 Years	25 Years	20 Years	15 Years	5 Years	5-25 Years
Interest rate	3.11%	4.08%	3.29%[b]	4.04%[c]	Variable[d]	Range from 2.5% to 4.08%
Balance, December 31, 2019	$ 44,094	$ 287,875	$ 200,000	$ 150,000	$ 21,233	$ 703,202[e]

(a) The $150,000 financing was funded in two installments: $80,000 on June 6, 2018 and $70,000 on July 26, 2018.

(b) Interest only for the first five years.

(c) Interest only for 15 years, with a balloon payment due at the end of 15 years.

(d) Variable interest rate based on trailing five-year average yield on 30-year US Treasury Bonds plus 2.5%.

(e) Amount shown on consolidated statements of financial position "debt payable, less current portion and deferred debt finance costs, net" of $680,025 is net of current portion of debt payable of $18,311 and unamortized deferred finance costs of $4,866. At December 31, 2018, the corresponding amounts were $697,821, which was net of $17,719 payable in 2019 and unamortized deferred finance costs of $5,383.

The Notes were issued to institutional accredited investors within the meaning of Regulation D under the Securities Act of 1933, as amended. The Notes include $75,000 of Senior Secured Notes, Series A (Series A); $325,000 of Senior Secured Notes, Series B (Series B); $200,000 of Senior Secured Notes, Series C (Series C); and $150,000 of Senior Secured Notes, Series D (Series D). The Notes were issued at a fixed rate and are redeemable at any time in whole or pro rata in part, in an amount not less than $10,000 of the aggregate principle amount of the Notes then outstanding in the case of partial payment. Prepayments are subject to par, accrued interest, plus a Make-Whole Amount, if any, based on the provisions of the financing documents. Each series of the Notes are Pari Passu without preference or priority with one another and with any borrowings outstanding under the Credit Facility.

In addition, as part of the 2014 and 2016 Private Placement Financing, a $150,000 Senior Secured Revolving Credit Facility (Credit Facility) was issued. The Credit Facility was equally distributed between two large nationally recognized banks with an initial term of five years. The Credit Facility's variable interest rate is based on the Alternative Base Rate (ABR) loan or Eurodollar revolving loan rate plus 1.375% based on the A- rating by a major rating agency. Draws under the Credit Facility were on parity with the Notes as to pledged monies as well as deposits in the Debt Service Reserve Account. In 2018, $40,000 was drawn and repaid on the Credit Facility and, effective July 21, 2018, the Credit Facility was terminated.

The Notes have substantially the same provisions, including: (i) the method of funding the repayment of the principal and interest and other provisions relating to security interests, guarantees, earnings coverage of debt service, funding of certain operating expenses, and the incurrence of additional indebtedness on the part of both NTC and USTA; (ii) the requirement by NTC to deposit receipts from US Open ticket sales and other NTC revenues up to annual amounts to be determined in accordance with the Deposit and Disbursement Agreement and other financing documents with the trustee for payment of principal and interest; and (iii) USTA's pledge of its right to future US Open net broadcasting revenues as security in the form of deposits with the trustee in amounts based on formulae in the financing documents. Excess deposits are refunded to USTA once NTC meets its annual debt service, debt service reserve requirement, rent obligations to the City of New York, and operating expense funding obligations with the trustee.

The Notes have a debt service reserve requirement requiring NTC to deposit certain amounts into a Debt Service Reserve Account, the magnitude of which depends on the senior secured debt service coverage ratio. The adequacy of such amounts is tested on the last day of the fiscal year based on an amount equal to the maximum amount of debt service required to be paid on the Notes and any other outstanding parity indebtedness during any future six-month period. For each of the years 2019 and 2018, such requirement totaled $28,525 for each year respectively. At December 31, 2019 and 2018, cash and securities on deposit totaled $29,556 and $28,690, respectively, which exceeded such requirement.

As indicated above, the funding of the Debt Service Reserve Account depends on the senior secured debt service coverage ratio. While the minimum coverage ratio required is 1.50 to 1.00, failure to achieve a coverage ratio of at least 2.00 to 1.00 would result in a mandatory increase of the funds on deposit in the Debt Service Reserve Account such that they would equal payments of debt service required for any future 12-month period instead of the six-month period currently required. The coverage ratios exceeded 2.00 to 1.0 at December 31, 2019 and 2018.

Costs of issuing the Private Placement have been deferred and are being amortized over the life of each series of Notes. Costs of issuance totaled $4,328 for the 2014 Private Placement, $2,146 for the 2016 Private Placement and $459 for the 2018 Private Placement. In 2019 and 2018, $465 and $483, respectively, was amortized, along with $1,247 being amortized prior thereto, resulting in unamortized deferred issuance costs of $4,738 and $5,203 at December 31, 2019 and 2018, respectively.

(dollars in thousands)

The following table sets forth the scheduled annual principal payments to be made on the Notes and the Term Loan Facility (Note 10) during each of the next five years and all years thereafter:

Year ending December 31,		Principal Payments
2020	$	18,311
2021		18,924
2022		46,401
2023		29,443
2024		34,813
2025 and thereafter		555,310
	$	703,202

11. Term Loan Facility

In 2017, Cincy entered into a $25,000 term loan facility (Loan Facility). The proceeds are to be used to provide financing for capital improvements at the facility where the Western and Southern Financial Group Masters Tennis Tournament is held. The Loan Facility is convertible with a maximum credit facility of $25,000 with variable interest based on one-month LIBOR plus 1.625%. The Loan Facility converts to a fixed-term loan on December 31, 2018 with principal payments due annually equal to $1/15$ of the outstanding balance at December 31, 2018. The rate at December 31, 2019 and 2018 was 3.42% and 4.15%, respectively. The note matures on June 30, 2022, with a balloon payment due for the then-outstanding amount, as shown in the overview chart in Note 10. At December 31, 2019 and December 31, 2018, the balance outstanding is $21,233 and $22,867, respectively.

USTA has made a springing guarantee for the Loan Facility, which can only be activated if the event is moved or the ATP revokes ATP Sanction, as further discussed in Note 12 Tournaments. The Loan Facility contains certain covenants, which, among other things, requires Cincy to maintain certain debt coverage, as defined by the agreement. Cincy is in compliance with these covenants at December 31, 2019 and 2018, respectively.

Debt issuance costs of $256 are recorded at cost and are being amortized over the term of the related debt. In 2019 and 2018, $51 was amortized for each year, respectively, along with $25 being amortized prior thereto, resulting in unamortized deferred issuance costs of $129 and $180 at December 31, 2019 and 2018, respectively.

12. Tournaments

Cincinnati Tennis LLC

As mentioned in Note 1, in 2019 and 2018, USTA has a controlling interest of 93.8% in Cincy which holds the ATP Sanction for the Masters Tournaments. The total purchase price to acquire the initial 80% ownership, inclusive of payments to the ATP and transfer of an equity interest in Cincy to the former members of TCI Ventures, LLC, including Octagon, Inc., totaled $12,636. In 2017, USTA increased its ownership by 13.8% to 93.8% in consideration of a cash payment of $5,760, inclusive of transfer fees. Such payment included a transfer of members' equity of $2,433 and additional paid-in capital for the increase in valuation of $3,327.

The ATP Sanction is subject to termination if Cincy fails to follow the ATP's rules and regulations. Based on previous experience, including Cincy's continued compliance with the ATP's rules and regulations, it is expected that the Sanction will be effective indefinitely. Given the Sanction's indefinite life, its value of $12,658 is not being amortized and is evaluated annually for impairment. No impairment was deemed to have occurred in 2019 or in years prior.

Operating revenues of $35,418 in 2019 and $31,280 in 2018 and operating expenses of $29,992 in 2019 and $26,463 in 2018 of Cincy are included in the "tour events" in each of the sections headed operating revenues and operating expenses, respectively, in the consolidated statements of activities for the years ended December 31, 2019 and 2018, respectively.

In 2019 and 2018, Cincy made distributions to its owners totaling $1,776 and $1,952, respectively, of which $110 and $121, respectively, represents distributions to the non-controlling interests. Accordingly, in 2019 and 2018, $110 and $121, respectively, are included as part of such distributions reported in the consolidated statements of changes in net assets.

TRIDENT8 (Laver Cup)

In 2016, USTA made a $6,000 capital commitment to acquire a non-controlling 20% interest in TRIDENT8, a UK private company that is treated as a partnership for US tax purposes. TRIDENT8's purpose is to further interest in tennis by establishing and operating a team tennis competition between regional teams of top professional players from around the world. This competition is referred to as the Laver Cup, in honor of Rod Laver. In 2017 and 2016, USTA made cash payments of $2,000 and $4,000, respectively, fulfilling USTA's $6,000 capital commitment for a non-controlling 20% interest in TRIDENT8. The investment is accounted for using the equity method of accounting and is reported in "other assets" in the accompanying consolidated statements of financial position. For 2019 and 2018, gains of $175 and $424, respectively, were recorded from TRIDENT8 and losses of $2,183 were recorded prior to 2018 for a net book value of $4,416, which is in other assets on the consolidated statements of financial position.

Other Tennis Investments

In 2016, USTA provided Tennis Foundation of Connecticut (TFC) a Secured Promissory Note in the amount of $425 (the Loan). The Loan included a provision for USTA to receive additional revenues in the event of a sale of the sanction. In 2019, TFC entered into a purchase agreement for the sale and transfer of the sanction. As a result, in 2019, TFC repaid the unpaid principal Loan balance of $425 plus outstanding interest. As part of this transaction USTA recorded additional revenues from the sanction sale of $5,941 in the consolidated statements of activities under net gain on sale of tennis investments. Upon completion of the sale, TFC paid USTA $3,327 and TFC agreed to pay the remaining balance of $2,614 after the buyer makes the final contractual payment, which is due March 2020.

13. USTA Foundation

For the years ended December 31, 2019 and 2018, the Organization contributed certain services, facilities and a cash grant to USTA Foundation at a cost of $3,499 and $2,804, respectively, which included expenses for National Junior Tennis and Learning (NJTL) efforts. Such costs are included in operating expenses within the accompanying consolidated statements of activities.

14. Retirement Plan

The United States Tennis Association Retirement Plan covers substantially all USTA, NTC and PD employees. The plan, which is a defined contribution plan, includes both an employer match and a discretionary employer contribution. Discretionary contributions are calculated on the basis of a fixed percentage of eligible salaries.

Matching contributions are made to the plan on a current basis and amounted to $1,540 and $1,431 for the years ended December 31, 2019 and 2018, respectively. The Organization also made discretionary contributions to the plan of $1,210 and $1,287 for the years ended December 31, 2019 and 2018, respectively.

15. Commitments and Contingencies

New York City Lease

The initial term of NTC's long-term lease with New York City is for 25 years from the start of construction of the facility expansion (1994). Thereafter, the lease grants NTC six 10-year renewal options and a final renewal option of up to 14 years. NTC has committed to renew the lease as long as any of the Notes or any borrowings under the Credit Facility are outstanding.

During the initial lease term, the lease provides for annual base rent of approximately $400 plus 1% of gross revenues from NTC Facility operations and USTA revenues derived from tennis events conducted at the NTC Facility, including broadcast and sponsorship revenues, in excess of $25,000 for each of the first 20 years and 1% of gross revenues in excess of $20,000 for each year thereafter. In addition, each renewal term includes a 10% increase on the base rent. Rent expense charged to operations for the year ended December 31, 2019, amounted to $4,181, and for the year ended December 31, 2018, amounted to $3,909. The Organization accounts for the lease as an operating lease.

USTA National Campus – Home of American Tennis

USTA has built a new state-of-the-art tennis facility near Orlando, Florida. As part of this initiative, USTA entered into a lease for over 64 acres of land. The initial term of the lease is 30 years from December 2016, with annual rental payments of one dollar. The lease includes two renewal terms of 20 years each, cumulatively 40 years, based on the then-prevailing market rent per acre of land. The Organization has accounted for this commitment as an operating lease. For the years ended December 31, 2019 and 2018, rent expense for this facility was de minimis.

Usage/Lease Agreement for the West Coast Training Center

USTA is party to a training center lease that is classified as an operating lease. The lease was renewed in 2016 through December 31, 2022. Rent expense was $133 and $119 for 2019 and 2018, respectively.

(dollars in thousands)

Cincinnati Tournament Stadium and Grounds Lease

In 2009, Cincy entered into a 21-year lease, expiring in 2029, for the stadium and grounds where the Western and Southern Financial Group Masters tennis tournament is held. The lease is classified as an operating lease. The lease contains purchase options and early termination provisions beginning in 2019 and 2024, subject to repayment of certain debt outstanding on the facilities. Rent expense charged to operations was $1,213 in 2019 and $1,197 in 2018, as compared to payments of $1,463 and $1,447 in 2019 and 2018, respectively. The differences are accounted for in “deferred rent credit” in the consolidated statements of financial position.

As part of the lease, Cincy and USTA have guaranteed the landlord’s debt outstanding on the facilities, Tennis for Charity, Inc., a 501(c)(3) organization, for which the maximum payable at December 31, 2019, is $6,695.

Under the lease agreement, the landlord provided funds totaling $5,000 for capital improvements at the facility. The entire allowance has been used and recorded under “property, building and equipment.” Such allowance is being amortized over the lease term as a reduction of rent expense. The unamortized balance of such allowance is included in “deferred rent credit” in the accompanying consolidated statements of financial position.

Summary of Operating Lease Commitments

Minimum operating lease commitments at December 31, 2019 for the various leases described in this note are as follows:

Year ending December 31,		Amount
2020	$	1,914
2021		1,877
2022		1,769
2023		1,595
2024		1,567
2025 and thereafter		19,246
Total	$	27,968

Public Facility Funding Grants

USTA issued grant letters in 2019 and 2018 to several public facilities as part of its Public Facility Funding program whereby all or a portion of the funding is contingent upon various factors. Future funding by USTA is contingent upon the grant recipient completing project milestones, as set forth in the recipient’s grant proposal. Had the milestones been satisfied at December 31, 2019, USTA would have recorded a commitment of $1,152.

In 2013, NTC made two separate pledges to the City of New York, which together result in $10,050 payable over a period of 23 years to help with improvements and, separately, with maintenance of the public park land adjacent to the NTC Facility. In 2016, certain improvements were made, fulfilling the conditions of the $5,000 improvement pledge resulting in $4,441, the present value, being recognized as an operating expense. The first installment of $833 was paid in 2015 and there are annual installments of $833 payable in each of the following five years. The maintenance pledge of $5,050 is payable over the next 23 years with annual installments of $350 for the first three years and $200 each year thereafter. The maintenance pledge is contingent upon satisfaction of the specified conditions, including annual operating commitments by the City of New York. In 2016, the conditions of the maintenance pledge were met, resulting in 2019 and 2018 operating expenses of $200 and $350, respectively, recognized in the US Open, including depreciation, pledge and debt interest in the consolidated statements of activities.

Litigation

The Organization is involved in various routine litigation matters in the course of its normal operations. Although it is not possible to predict the outcome of such litigation with certainty, based on the facts known to the Organization's management, and after consultation with counsel, management believes that such litigation will not have a material adverse effect on the Organization's consolidated financial position.

Environmental Liabilities

As part of the Organization's facility expansion and improvement projects, certain environmental liabilities may be incurred. The Organization believes that it is adequately insured against this potential exposure.

Subsequent Events

The Organization has evaluated subsequent events through March 27, 2020, the date these consolidated financial statements were available to be issued. No modifications of the consolidated financial statements were necessary as a result of the subsequent events evaluation.

On March 11, 2020, the World Health Organization declared the outbreak of novel coronavirus (COVID 19) as a global pandemic, which continues to spread throughout the United States and around the world. The challenging environment could be exacerbated by risks and uncertainties related to the COVID 19 pandemic in addition to restrictions on travel and forced closures for certain types of public places and businesses. The extent to which the COVID 19 pandemic may impact the Organization's business activity or results of operations will depend on future developments, which are highly uncertain and cannot be predicted at this time.