

# **United States Tennis Association Incorporated and Affiliates**

**Consolidated Financial Statements  
Years Ended December 31, 2021 and 2020**

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# United States Tennis Association Incorporated and Affiliates

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## Independent Auditor's Report

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

### *Opinion*

We have audited the consolidated financial statements of United States Tennis Association Incorporated and Affiliates (the Organization), which comprise of the consolidated statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of United States Tennis Association Incorporated and Affiliates as of December 31, 2021 and 2020 and the changes in their net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Consolidated Financial Statements*

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, LLP

March 23, 2022

# United States Tennis Association Incorporated and Affiliates

## Consolidated Statements of Financial Position (dollars in thousands)

<i>December 31,</i>	2021	2020
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 148,209	\$ 116,625
Investments, net (Note 7)	48,113	29,451
Accounts receivable, net	16,786	9,364
Other current assets	11,093	13,255
<b>Total Current Assets</b>	<b>224,201</b>	<b>168,695</b>
<b>Restricted Cash and Cash Equivalents</b>	<b>2,092</b>	<b>6,828</b>
<b>Debt Service Reserve Escrow</b>	<b>29,022</b>	<b>29,106</b>
<b>Long-Term Investments (Note 7)</b>	<b>47,697</b>	<b>28,346</b>
<b>Property, Building, and Equipment, Net (Note 9)</b>	<b>736,886</b>	<b>787,110</b>
<b>Intangible Asset (Note 14)</b>	<b>12,658</b>	<b>12,658</b>
<b>Other Assets</b>	<b>6,941</b>	<b>5,052</b>
<b>Total Assets</b>	<b>\$ 1,059,497</b>	<b>\$ 1,037,795</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 43,417	\$ 52,921
Accrued interest payable	11,722	12,023
Deferred income	24,165	60,847
Current portion of debt payable (Notes 11, 12, and 13)	106,401	18,925
<b>Total Current Liabilities</b>	<b>185,705</b>	<b>144,716</b>
<b>Debt Payable, less current portion and deferred debt finance costs, net (Notes 11, 12, and 13)</b>	<b>615,443</b>	<b>685,863</b>
<b>Deferred Income, less current portion</b>	<b>14,902</b>	<b>19,288</b>
<b>Deferred Rent (Note 17)</b>	<b>2,887</b>	<b>3,151</b>
<b>Other Liabilities</b>	<b>3,046</b>	<b>2,059</b>
<b>Total Liabilities</b>	<b>821,983</b>	<b>855,077</b>
<b>Commitments and Contingencies</b> (Notes 10, 11, 12, 13, and 17)		
<b>Net Assets (Without Donor Restrictions)</b>		
Net assets of controlling interest:		
General	115,952	61,597
Board-designated	120,000	120,000
Non-controlling interests in consolidated subsidiaries (Note 14)	1,562	1,121
<b>Total Net Assets</b>	<b>237,514</b>	<b>182,718</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,059,497</b>	<b>\$ 1,037,795</b>

*See accompanying notes to consolidated financial statements.*

# United States Tennis Association Incorporated and Affiliates

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

	Without Donor Restrictions				
	Controlling Interest			Non- Controlling Interest	Total
	General	Board- Designated	Total Controlling Interest		
<b>Net Assets, January 1, 2020</b>	\$ 242,413	\$ 120,000	\$ 362,413	\$ 2,214	\$ 364,627
Loss attributable to controlling interest	(180,816)	-	(180,816)	-	(180,816) <sup>(a)</sup>
Loss attributable to non-controlling interest	-	-	-	(970)	(970) <sup>(a)</sup>
Distributions to non-controlling interest	-	-	-	(123)	(123)
<b>Net Assets, December 31, 2020</b>	61,597	120,000	181,597	1,121	182,718
Gain attributable to controlling interest	54,355	-	54,355	-	54,355 <sup>(b)</sup>
Gain attributable to non-controlling interest	-	-	-	441	441 <sup>(b)</sup>
<b>Net Assets, December 31, 2021</b>	\$ 115,952	\$ 120,000	\$ 235,952	\$ 1,562	\$ 237,514

<sup>(a)</sup> Portion of \$(181,786), representing consolidated net income.

<sup>(b)</sup> Portion of \$54,796, representing consolidated net income.

*See accompanying notes to consolidated financial statements.*

# United States Tennis Association Incorporated and Affiliates

## Consolidated Statements of Activities (dollars in thousands)

<i>Year ended December 31,</i>	<b>2021</b>	<b>2020</b>
	(Without Donor Restrictions)	
<b>Operating Revenues</b>		
US Open	\$ 406,172	\$ 181,210
USA team events	1,972	1,495
Tour events (Note 14)	35,563	10,273
Membership	13,593	17,182
NTC tennis facility programs, other than US Open	5,223	2,305
Community tennis leagues and tournaments, including National Campus (inclusive of state incentives)	10,306	5,065
Investment return allocated to operations (Note 8)	2,840	7,400
Other	1,370	945
<b>Total Operating Revenues</b>	<b>477,039</b>	<b>225,875</b>
<b>Operating Expenses</b>		
Program services:		
US Open:		
Direct expenses	156,275	123,109
Depreciation, pledge, and debt interest expense	70,110	70,245
USA team events	2,858	3,248
Tour events, including depreciation (Note 14)	28,999	25,748
Membership	3,380	6,306
NTC tennis facility programs, including depreciation and debt interest	10,911	10,931
Community tennis including National Campus and depreciation:	96,434	96,772
Player development	13,761	15,093
Competitive Pathway and officials	6,871	5,819
Marketing, digital and other program services	28,607	25,371
<b>Total Program Services</b>	<b>418,206</b>	<b>382,642</b>
Administrative and supporting services, including depreciation and taxes	24,181	24,753
<b>Total Operating Expenses</b>	<b>442,387</b>	<b>407,395</b>
<b>Excess (Deficit) of Operating Revenues Over Operating Expenses</b>	<b>34,652</b>	<b>(181,520)</b>
<b>Nonoperating Other Income and Deductions</b>		
Investment return, net of amounts allocated to operations (Note 8)	18,624	22
Equity in gain (loss) of unconsolidated investees (Note 14)	1,520	(288)
<b>Total Nonoperating Other Income and Deductions</b>	<b>20,144</b>	<b>(266)</b>
<b>Excess (Deficit) of Revenues Over Expenses</b>	<b>\$ 54,796</b>	<b>\$ (181,786)</b>

*See accompanying notes to consolidated financial statements.*



# United States Tennis Association Incorporated and Affiliates

## Consolidated Statements of Cash Flows (dollars in thousands)

<i>Year ended December 31,</i>	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities</b>		
Excess (deficit) of revenues over expenses	\$ 54,796	\$ (181,786)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by (used in) operating activities:		
Depreciation and amortization of leasehold improvements (Note 9)	59,837	62,345
Interest expense related to deferred issuance costs (Notes 11, 12, and 13)	981	748
Gain on sale of securities, net (Note 8)	(9,292)	(17,424)
Unrealized (gain) loss on investments, net (Note 8)	(11,787)	10,568
Undistributed equity in (gain) loss of investees, net (Note 14)	(1,520)	288
Loss on disposal of property, building, and equipment (Note 9)	-	62
Changes in assets and liabilities:		
(Increase) in accounts receivable	(8,037)	(1,548)
Decrease (increase) in other assets	1,793	(3,886)
Decrease in accounts payable, accrued expenses, and other liabilities	(4,352)	(12,410)
(Decrease) increase in deferred income	(41,332)	37,743
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>41,087</b>	<b>(105,300)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, building, and equipment, net	(14,079)	(25,013)
Decrease in debt service reserve escrow	84	449
Proceeds from sale of tennis investment (Note 14)	614	2,000
Purchase of investments	(32,108)	(7,019)
Proceeds from sales of investments	15,175	96,776
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(30,314)</b>	<b>67,193</b>
<b>Cash Flows from Financing Activities</b>		
Repayments on 2020 credit facility	(55,000)	-
Borrowings on 2020 credit facility, net of issuance costs (Note 12)	90,000	24,014
Scheduled payment of debt payable	(17,292)	(16,678)
2017 term loan facility payment of debt payable	(1,633)	(1,633)
Distribution to non-controlling interest (Note 13)	-	(123)
<b>Net Cash Provided by Financing Activities</b>	<b>16,075</b>	<b>5,580</b>
<b>Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents</b>	<b>26,848</b>	<b>(32,527)</b>
<b>Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, beginning of year</b>	<b>123,453</b>	<b>155,980</b>
<b>Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, end of year</b>	<b>\$ 150,301</b>	<b>\$ 123,453</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the year for:		
Interest	\$ 29,698	\$ 27,116
Taxes	86	157
<b>Supplemental Disclosures of Noncash Financing and Investing Activities</b>		
Property, building, and equipment purchased through accounts payable/accrued expenses and other liabilities	\$ 12,415	\$ 16,881

*See accompanying notes to consolidated financial statements.*

# United States Tennis Association Incorporated and Affiliates

## Notes to Consolidated Financial Statements (dollars in thousands)

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### 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 both alternative investments and intangible asset, 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 both 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 and Paralympic Committee.

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

# United States Tennis Association Incorporated and Affiliates

## Notes to Consolidated Financial Statements (dollars in thousands)

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USTA is the sole member of NTC, an organization exempt from federal income tax under Section 501(c)(3) of the Code. Both 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, an organization exempt from federal income tax under Section 501(c)(3) of the Code. Both 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 2021 and 2020, 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.

# United States Tennis Association Incorporated and Affiliates

## Notes to Consolidated Financial Statements (dollars in thousands)

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### 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 removed by actions of the Organization are classified as net assets with donor restrictions-perpetual in nature. There were no net assets with donor restrictions as of December 31, 2020 and 2021.

*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 were 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*

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.

NTC has restricted cash and cash equivalents on deposit with two major financial institutions. As of December 31, 2021 and 2020, the amounts on deposit with such institutions included temporarily invested Private Placement Financing proceeds discussed in Note 11 of \$2,092 and \$6,828, respectively, dedicated to financing the NTC Improvements discussed in Note 9.

# United States Tennis Association Incorporated and Affiliates

## Notes to Consolidated Financial Statements (dollars in thousands)

<i>December 31,</i>		2021		2020
Cash and cash equivalents	\$	148,209	\$	116,625
Restricted cash and cash equivalents		2,092		6,828
<b>Total</b>	<b>\$</b>	<b>150,301</b>	<b>\$</b>	<b>123,453</b>

### ***Debt Service Reserve Escrow***

As of December 31, 2021 and 2020, NTC had combined restricted cash and securities on deposit with a major financial institution, one of which acts as a trustee for the noteholders as identified in Note 11. As of December 31, 2021 and 2020, the amounts on deposit with the institution included a six-month debt service reserve of \$29,022 and \$29,106, respectively.

### ***Fair Value Measurements***

Financial Accounting Standards Board (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.

# United States Tennis Association Incorporated and Affiliates

## Notes to Consolidated Financial Statements (dollars in thousands)

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### ***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.

In accordance with ASC 360, long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future net cash flows expected to be generated by the asset.

If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. For the year ended December 31, 2021 there were no impairments recognized.

### ***Deferred Debt Finance Costs***

Deferred debt finance costs are primarily amortized to interest expense over the life of each respective financing 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.

# United States Tennis Association Incorporated and Affiliates

## Notes to Consolidated Financial Statements (dollars in thousands)

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### ***Concentrations***

The Organization generated slightly more than 85% and 79% of its operating revenues in 2021 and 2020, respectively, excluding barter received, from the US Open. 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.

# United States Tennis Association Incorporated and Affiliates

## Notes to Consolidated Financial Statements (dollars in thousands)

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### *Income Taxes*

USTA, NTC, 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. USOS is a single-member LLC for which USTA is the single member. USOS is considered to be a disregarded entity and is not recognized for tax purposes as a separate entity from USTA. As such, its income and expenses are reported as part of USTA's annual filings. 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 the organization. For the years ended December 31, 2021 and 2020, 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 is subject to routine audits by taxing authorities. As of December 31, 2021, there were no examinations in progress.

### *Advertising Costs*

The Organization expenses advertising costs as they are incurred. The Organization recognized advertising expense of \$6,919 and \$5,284 for the years ended December 31, 2021 and 2020, 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 \$5,654 and \$5,425 for the years ended December 31, 2021 and 2020, 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 Asset*

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 2021 and 2020.

### *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.



# United States Tennis Association Incorporated and Affiliates

## Notes to Consolidated Financial Statements (dollars in thousands)

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### *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 Issued Accounting Pronouncements*

#### *Accounting for Leases*

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. ASU 2020-05 deferred the effective date for this new standard for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. Management is currently evaluating the impact of the adoption of the new standard on the consolidated financial statements.

#### *Not-for-Profit Entities (Topic 958)*

The FASB issued ASU 2020-07, *Not-for-Profit Entities (Topics 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, the update to clarify the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items.

The enhanced presentation and disclosure requirements include the contributed nonfinancial assets as separately stated as an individual line item in the statement of activities, distinct from contributions of cash or other financial assets. The contributed nonfinancial assets are also disaggregated in a footnote by category that shows the type of contributed nonfinancial assets in the statement of activities. For each type of contributed nonfinancial assets recognized, a not-for-profit will disclose the not-for-profit's policy (if any) on liquidating rather than using contributed nonfinancial assets; qualitative considerations on whether the contributed nonfinancial assets were liquidated or used during the reporting period, and, if used, a description of how the asset was employed should be included; any donor-imposed restrictions related to the contributed nonfinancial assets; and the valuation methods and inputs utilized to determine a fair value. In accordance with Topic 820, *Fair Value Measurement*, it should be measured at initial recognition. The principal or most advantageous market is utilized to calculate fair value if it is market in which the not-for-profit is restricted by the donor from selling or utilizing the contributed nonfinancial assets. The update does not change existing recognition and measurement requirements for contributed nonfinancial assets and is effective for annual reporting periods beginning after June 15, 2021 with early adoption permitted. The Organization is currently evaluating the impact of the adoption of the ASU on its financial statements.

# United States Tennis Association Incorporated and Affiliates

## Notes to Consolidated Financial Statements (dollars in thousands)

### *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. This update, along with ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*, changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. Entities will be required to estimate credit losses over the entire contractual term of an instrument. The ASU is effective for organization's fiscal years beginning after December 15, 2022. An entity must apply the amendments in the ASU through a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective, except for certain exclusions. Management is currently evaluating the impact of this ASU on its financial statements.

#### 4. 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:

<i>December 31,</i>	2021		2020	
Cash and cash equivalents	\$	148,209	\$	116,625
Investments		48,113		29,451
Accounts receivable, net		16,786		9,364
<b>Resources Available for General Expenditures</b>	<b>\$</b>	<b>213,108</b>	<b>\$</b>	<b>155,440</b>

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 7, include foreign and domestic common stock, publicly traded mutual funds, common collective trusts, and alternative investments, all of which can be liquidated within 12 months. To help manage unanticipated liquidity needs, the Organization has issued a \$150,000 credit facility (Note 12), which it could draw upon. As of December 31, 2021, \$90,000 of the revolving credit facility remained unused and could be drawn down.

#### 5. Revenue Recognition

##### *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.

# United States Tennis Association Incorporated and Affiliates

## Notes to Consolidated Financial Statements (dollars in thousands)

### *Contracts with Customers*

Revenues with customers is comprised of the following:

<i>December 31,</i>	2021	2020
Ticket revenues	\$ 151,701	\$ 755
Broadcast revenues	149,085	138,392
Sponsorship revenues	103,518	53,078
Corporate hospitality and service revenues	41,020	1,387
Membership revenues	13,593	17,182
Tennis programs	8,161	3,968
Other contracted	5,927	1,439
<b>Total Revenue from Contracts Subject to ASC 606</b>	<b>473,005</b>	<b>216,201</b>
<b>Total Other Revenues Not Subject to ASC 606<sup>(1)</sup></b>	<b>4,034</b>	<b>9,674</b>
<b>Total Operating Revenues</b>	<b>\$ 477,039</b>	<b>\$ 225,875</b>

<sup>(1)</sup> 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*

2021 ticket revenues are principally sourced from the US Open and the Masters Tournament. 2020 ticket revenues are principally from other events (e.g. Davis Cup, Billie Jean King Cup, etc.) that occurred prior to the COVID-19 outbreak. Ticket revenues, net of admissions taxes, amounted to \$151,701 and \$755 for the years ended December 31, 2021 and 2020, respectively. Sales of tickets to attend both the US Open and Masters Tournament are derived from a wide range of individuals and corporations prior to and at the events. Ticket revenues are deferred until the point in time in which the tournaments occur.

### *Broadcasting Revenues*

Broadcasting revenues are predominately earned through more than ten 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, 2021 and 2020 were \$143,287 and \$132,967, respectively. In addition, the estimated value of broadcasting barter revenue received for the years ended December 31, 2021 and 2020 were \$5,798 and \$5,425, 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 \$2,382 in 2021 of the aggregate broadcasting revenues specified above have, instead, been included in the amounts reported under the caption "Ticket Revenues" as described elsewhere in this Note. In total for the years ended December 31, 2021 and 2020, cash consideration and barter offset by amounts reported under ticket revenues resulted in net broadcasting revenues of \$149,085 and \$138,392, respectively.

# United States Tennis Association Incorporated and Affiliates

## Notes to Consolidated Financial Statements (dollars in thousands)

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The Organization's performance obligations consist of the conducting of the US Open and Masters Tournament 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, Masters Tournament, US Open Series, Davis/Billie Jean King 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, 2021 and 2020 were \$99,380 and \$50,383, respectively. In addition, the estimated value of sponsorship barter revenue received for the years ended December 31, 2021 and 2020 were \$4,138 and \$2,695 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 \$19,253 in 2021 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" as described elsewhere in this Note. Revenues are recognized when the event is conducted. In total for the years ended December 31, 2021 and 2020, cash consideration and barter offset by amounts reported under ticket revenues and corporate hospitality and service revenues result in net sponsorship revenues of \$103,518 and \$53,078, respectively.

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.

# United States Tennis Association Incorporated and Affiliates

## Notes to Consolidated Financial Statements (dollars in thousands)

Disaggregated corporate hospitality and service revenues are as follows:

<i>December 31,</i>	<b>2021</b>	<b>2020</b>
Hospitality sales	\$ 20,494	\$ -
Licensing food and beverage	12,546	26
Licensing merchandise	6,874	335
Royalties	1,106	1,026
<b>Total Corporate Hospitality and Service Revenues</b>	<b>\$ 41,020</b>	<b>\$ 1,387</b>

2021 Sales of corporate hospitality are principally from the US Open and Masters Tournament and are sold predominately in fiscal periods prior to the tournaments. 2020 hospitality revenues are principally from other events (e.g. Davis Cup, Billie Jean King Cup, etc.) that occurred prior to the COVID-19 outbreak. 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's membership revenue is 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, 2021 and 2020 were \$13,593 and \$17,182, 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, 2021 and 2020, USTA has determined the estimate of refunds are not material to consolidated 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.

Service revenues by type is as follows:

<i>December 31,</i>	<b>2021</b>	<b>2020</b>
Tennis programs	\$ 4,943	\$ 2,472
Tennis court rentals	1,318	638
Tennis registration fees	1,900	858
<b>Total Tennis Program Revenues</b>	<b>\$ 8,161</b>	<b>\$ 3,968</b>

# United States Tennis Association Incorporated and Affiliates

## Notes to Consolidated Financial Statements (dollars in thousands)

### *Other Contracted Revenues*

Other revenues are predominately from NTC facility license fee for hosting special events, revenue in Team Events for USTA's participation in the Davis and Billie Jean King 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:

	Receivables		Contract Assets		Contract Liabilities	
	2021	2020	2021	2020	2021	2020
Beginning of year	\$ 8,719	\$ 7,136	\$ -	\$ -	\$ 71,851	\$ 33,495
End of year	16,722	8,719	-	-	31,108	71,851

### 6. Analysis of Expenses by Function and Nature

Below is an analysis of expenses by function and nature:

#### *December 31, 2021*

	Program Services	Administration and Other Costs	Total
Player compensation	\$ 66,022	\$ -	\$ 66,022
Grants	53,358	-	53,358
Depreciation and amortization of property, building, and equipment	57,071	3,747	60,818
Payment of bond interest	29,325	-	29,325
Compensation	43,513	12,414	55,927
Compensation seasonal	5,483	-	5,483
Payroll taxes	3,489	615	4,104
Other employee benefits	6,749	1,565	8,314
Professional services	25,884	2,347	28,231
Occupancy and office expense	14,068	838	14,906
Advertising/printing and publications	10,282	13	10,295
Insurance	4,552	1,943	6,495
Barter	9,734	58	9,792
Event production and all other expenses	88,676	641	89,317
<b>Total Functional Expenses</b>	<b>\$ 418,206</b>	<b>\$ 24,181</b>	<b>\$ 442,387</b>

# United States Tennis Association Incorporated and Affiliates

## Notes to Consolidated Financial Statements (dollars in thousands)

December 31, 2020

	Program Services	Administration and Other Costs	Total
Player compensation	\$ 61,799	\$ -	\$ 61,799
Grants	56,456	51	56,507
Depreciation and amortization of property, building, and equipment	59,371	3,784	63,155
Payment of bond interest	26,559	-	26,559
Compensation	49,888	12,398	62,286
Compensation seasonal	2,476	-	2,476
Payroll taxes	3,726	729	4,455
Other employee benefits	7,385	1,674	9,059
Professional services	26,026	2,233	28,259
Occupancy and office expense	9,799	1,141	10,940
Advertising/printing and publications	8,551	54	8,605
Insurance	3,055	1,844	4,899
Barter	7,622	58	7,680
Event production and all other expenses	59,929	787	60,716
<b>Total Functional Expenses</b>	<b>\$ 382,642</b>	<b>\$ 24,753</b>	<b>\$ 407,395</b>

## 7. 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

# United States Tennis Association Incorporated and Affiliates

## Notes to Consolidated Financial Statements (dollars in thousands)

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.

USTA has investments in funds that are valued based on Level 3 inputs within the investment hierarchy used in measuring fair value. Given the absence of market quotations, the value of the funds' fair value is estimated using information provided to USTA by the investment managers and general partners. Because of the inherent uncertainty of these valuations, it is reasonably possible that estimated values may differ significantly from the values that would have been used had a ready market for the security existed.

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, 2021 and 2020, the carrying values of private equity investments do not include future funding commitments of \$12,844 and \$11,836, 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 financial position.

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

<i>December 31,</i>	<b>2021</b>	<b>2020</b>
Level 1:		
Cash and cash equivalents	\$ 148,209	\$ 116,625
Corporate and government fixed-income securities	24,835	-
Publicly traded mutual funds:		
International equities	432	355
Restricted cash and cash equivalents:		
Cash	2,092	4,555
Corporate and government fixed-income securities	-	2,273
Debt service reserve escrow:		
Cash	4,188	8,211
Corporate and government fixed-income securities	24,834	20,895
Level 2:		
Common/collective trusts and private mutual funds	244	199
Level 3:		
Alternative investments and private equity <sup>(2)</sup>	34,686	16,882
	<b>239,520</b>	<b>169,995</b>
Investments valued at NAV <sup>(1)</sup> :		
Common/collective trusts and private mutual funds	4,754	8,362
Alternative investments and private equity <sup>(2)</sup>	30,859	31,999
<b>Total</b>	<b>\$ 275,133</b>	<b>\$ 210,356</b>

<sup>(1)</sup> 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 to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

<sup>(2)</sup> The total Alternative Investments for 2021 and 2020 amount to \$65,545 and \$48,881, respectively, which are disclosed later in the Note in the table of investments by asset class.



# United States Tennis Association Incorporated and Affiliates

## Notes to Consolidated Financial Statements (dollars in thousands)

During 2021, the total additions, withdrawals, and investment income on the Level 3 investments was \$3,549, \$(3,031), and \$17,223, respectively. During 2020, the total additions, withdrawals, and investment income on the Level 3 investments was \$2,290, \$(426), and \$2,901, respectively.

The following tables represent the Organization's investments by asset class and their respective liquidity terms and unfunded commitments as of December 31, 2021 and 2020.

### December 31, 2021

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period (Days)
Common/collective trusts and private mutual funds:				
Fixed income	\$ -	\$ -	Daily	10
Global ex-U.S. equity	4,754	-	Monthly	15
Emerging markets	244	-	Monthly	30
<b>Total</b>	<b>\$ 4,998</b>	<b>\$ -</b>		
Alternative investments:				
Absolute return	\$ 5,805	\$ -	Semiannually	60-65
Hedge fund	12,043	-	Annually	30-90
Private equity	47,697	12,844	See note (a)	See note (a)
<b>Total</b>	<b>\$ 65,545</b>	<b>\$ 12,844</b>		

### December 31, 2020

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period (Days)
Common/collective trusts and private mutual funds:				
Fixed income	\$ -	\$ -	Daily	10
Global ex-U.S. equity	8,362	-	Monthly	15
Emerging markets	199	-	Monthly	30
<b>Total</b>	<b>\$ 8,561</b>	<b>\$ -</b>		
Alternative investments:				
Absolute return	\$ 7,897	\$ -	Semiannually	60-65
Hedge fund	12,638	-	Annually	30-90
Private equity	28,346	11,836	See note (a)	See note (a)
<b>Total</b>	<b>\$ 48,881</b>	<b>\$ 11,836</b>		

<sup>(a)</sup>Redemption not permitted; distributions require liquidation of underlying assets.

# United States Tennis Association Incorporated and Affiliates

## Notes to Consolidated Financial Statements (dollars in thousands)

### *Section Investments*

The Organization offers its Sectional Members (the Sections) an opportunity to invest in certain investment funds held by the Organization in which the Sections would not normally be able to invest. In doing so, the Sections and the Organization agree to comingle their funds in pooled accounts. As part of this arrangement the Sections transact directly with the investment advisor and receive individual investment statements. At December 31, 2021 and 2020 the total comingled investment balance attributed to the Sections was \$7,798 and \$11,442, respectively. The investments of the Organization are presented at net of these Sections investment balances on the statements of financial position.

### **8. Investment Return Presentation**

The following schedule summarizes the investment portfolio return:

<i>Year ended December 31,</i>	<b>2021</b>	<b>2020</b>
Dividend and interest income (net of interest expense, excluding debt interest, and investment fees)	\$ 385	\$ 566
Realized gain, net	9,292	17,424
Change in unrealized gain (loss), net	11,787	(10,568)
	<b>21,464</b>	<b>7,422</b>
Investment return allocated to operations	<b>(2,840)</b>	<b>(7,400)</b>
<b>Investment Return, net of amounts allocated to operations</b>	<b>\$ 18,624</b>	<b>\$ 22</b>

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 \$2,840 and \$7,400 for the years ended December 31, 2021 and 2020. A corresponding deduction is included within “nonoperating other income 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.

# United States Tennis Association Incorporated and Affiliates

## Notes to Consolidated Financial Statements (dollars in thousands)

### 9. Property, Building and Equipment, Net

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

<i>December 31,</i>	<b>2021</b>	<b>2020</b>
Land, building, and improvements	\$ 11,342	\$ 11,342
Leasehold improvements	1,196,834	1,193,588
Machinery and equipment	108,052	105,393
Computer hardware and software	79,292	73,119
Furniture and fixtures	70,462	68,902
Construction-in-progress	5,337	9,676
	<b>1,471,319</b>	<b>1,462,020</b>
Less: accumulated depreciation and amortization	<b>(734,433)</b>	<b>(674,910)</b>
<b>Net Property, Building, and Equipment</b>	<b>\$ 736,886</b>	<b>\$ 787,110</b>

Depreciation and amortization expense was \$59,837 and \$62,345 for the years ended December 31, 2021 and 2020, respectively, which has been attributed to US Open, Tour Events, NTC Facility programs, Community Tennis, and Administrative and Supporting Services on the consolidated statements of activities based on the nature and function of the underlying depreciable assets.

As of December 31, 2021 and 2020, \$55,299 and \$50,159, respectively, of computer software costs have been capitalized. Accumulated amortization for such software costs is \$40,338 and \$32,309 as of December 31, 2021 and 2020, 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 stadium, 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 \$12,400 purchased through accounts payable/accrued expenses as disclosed on the cash flow. The funding is comprised of the private placement financings described in Note 10, as well as by cash and cash equivalents, investments, and revenue generation.

#### ***Capitalized Interest***

For the year ended December 31, 2021, the Organization did not capitalize interest on qualifying assets. For the year ended December 31, 2020, the Organization capitalized interest of \$305 on qualifying assets.

# United States Tennis Association Incorporated and Affiliates

## Notes to Consolidated Financial Statements (dollars in thousands)

### 10. Line of Credit and Irrevocable Letter of Credit

USTA had an unsecured line of credit with a financial institution in the amount of \$50,000 that was terminated on July 17, 2020 in conjunction with issuing the 2020 Revolving Credit Facility (Credit Facility) for \$150,000 as further discussed in Note 12. The Organization had two different borrowing options when utilizing this line, including London Interbank Offered Rate (LIBOR) for borrowings that exceeded 30 days, or the prime rate. In 2020, USTA did not borrow from the line of credit.

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 2021 and 2020.

### 11. Private Placement Financing and Other Debt

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.

The following table provides an overview of the Notes Facility and Term Loan Facility discussed in Notes 12 and 13:

	Notes, Series A	Notes, Series B	Notes, Series C	Note, Series D	Credit Facility	Term Loan Facility (Note 10)	Total
Date of funding	September 8, 2014	September 8, 2014	May 26, 2016	June/July 2018 <sup>(a)</sup>	July 17, 2020	June 30, 2017	
Principal amount at inception	\$ 75,000	\$ 325,000	\$ 200,000	\$ 150,000	\$ 150,000	\$ 25,000	\$ 925,000
Term (in years)	10	25	20	15	2	5	5-25
Interest rate (%)	3.11	4.08	3.29 <sup>(b)</sup>	4.04 <sup>(c)</sup>	Variable <sup>(d)</sup>	Variable <sup>(e)</sup>	2.50-4.08
Balance, December 31, 2021	\$ 28,919	\$ 269,082	\$ 200,000	\$ 150,000	\$ 60,000	\$ 17,967	\$ 725,968 <sup>(f)</sup>

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

<sup>(b)</sup> Interest only for the first five years.

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

<sup>(d)</sup> Variable interest rate based on plus 2.5%.

<sup>(e)</sup> Variable interest rate based on trailing five-year average yield on 30-year U.S. Treasury Bonds plus 2.5%.

<sup>(f)</sup> Amount shown on consolidated statements of financial position "debt payable, less current portion and deferred debt finance costs, net" of \$615,443 is net of current portion of debt payable of \$106,401 and unamortized deferred finance costs of \$4,124. At December 31, 2020, the corresponding amounts were \$685,863, which was net of \$18,925 payable in 2021 and unamortized deferred finance costs of \$5,103.

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## Notes to Consolidated Financial Statements (dollars in thousands)

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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 principal 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.

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 the years 2021 and 2020, such requirement totaled \$28,525 for each year, respectively. At December 31, 2021 and 2020, cash and securities on deposit totaled \$29,022 and \$29,106, 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 2.0 to 1.00 at December 31, 2021 and 2020.

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 2021 and 2020, \$437 and \$451, respectively, was amortized, along with \$2,194 being amortized prior thereto, resulting in unamortized deferred issuance costs of \$3,851 and \$4,287 at December 31, 2021 and 2020, respectively.

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The following table sets forth the scheduled annual principal payments to be made on the Notes, Credit Facility (Note 12), and the Term Loan Facility (Note 13) during each of the next five years and all years thereafter:

*Year ending December 31,*

	Principal Payments
2022	\$ 106,401
2023	29,443
2024	34,813
2025	22,854
2026	23,702
2027 and thereafter	508,755
	\$ 725,968

### 12. USTA Credit Facility

On July 17, 2020, USTA was issued a \$150,000 Revolving Credit Facility (Credit Facility) by a large nationally recognized bank with an initial term of two years. USTA has the option of choosing a variable interest rate based on the Alternative Base Rate (ABR) loan rate plus 2.25% or the Eurodollar revolving loan rate plus 3.25%. In 2021 and 2020, \$90,000 and \$25,000, respectively, was drawn on the Credit Facility while \$55,000 was repaid in 2021. At December 31, 2021 and 2020 the outstanding balance on the Credit Facility was \$60,000 and \$25,000, respectively. Effective July 18, 2022, the Credit Facility will terminate.

The Credit Facility provisions include: (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, and the incurrence of additional indebtedness on the part of USTA; (ii) (a) amounts received by the Borrower from Sponsorship Agreements net of amounts allocated to ticket or certain other revenues and (b) NTC Distributions received by the USTA.

Costs of issuing the Credit Facility of \$986 have been deferred and are being amortized over the initial life of the Credit Facility (24 months). In 2021 and 2020, \$493 and \$246 was amortized resulting in unamortized deferred issuance costs of \$247 at December 31, 2021.

The Credit Facility has a minimum coverage ratio required of 1.25 to 1.00; the coverage ratios exceeded 1.25 to 1.0 at December 31, 2021

### 13. 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 Masters 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 converted to a fixed-term loan on December 31, 2018 with principal payments due annually equal to  $\frac{1}{15}$  of the outstanding balance at December 31, 2018. The interest rate at December 31, 2021 and 2020 was 1.73% and 2.02%, respectively. The note matures on June 30, 2022, with a balloon payment due for the then-

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## Notes to Consolidated Financial Statements (dollars in thousands)

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outstanding amount, as shown in the overview chart in Note 11. At December 31, 2021 and December 31, 2020, the balance outstanding is \$17,967 and \$19,600, 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 14, *Tournaments*. The Loan Facility contains certain covenants, which, among other things, requires the Organization to maintain certain debt service coverage, as defined by the agreement. The Organization is in compliance with these covenants at December 31, 2021 and received a waiver for these covenants at December 31, 2020.

Debt issuance costs of \$256 are recorded at cost and are being amortized to interest expense over the term of the related debt. In 2021 and 2020, \$51 was amortized for each year, respectively, along with \$128 being amortized prior thereto, resulting in unamortized deferred issuance costs of \$26 and \$77 at December 31, 2021 and 2020, respectively.

### 14. Tournaments

#### *Cincinnati Tennis LLC*

As mentioned in Note 1, in 2021 and 2020, 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. We considered the COVID-19 pandemic a triggering event in the assessment of the recoverability of the indefinite lived intangible asset, the ATP Sanction. Based on our evaluation we conducted during the quarters since the pandemic emerged, we determined that impairment of the asset had not occurred.

Operating revenues of \$35,680 in 2021 and \$9,820 in 2020 and operating expenses of \$28,571 in 2021 and \$25,453 in 2020 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, 2021 and 2020, respectively.

In 2020, Cincy made distributions to its owners \$1,986 of which \$123 represents distributions to the non-controlling interests. There were no distributions made to owners by Cincy during 2021.

#### *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 U.S. 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

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## Notes to Consolidated Financial Statements (dollars in thousands)

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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 2021 and 2020, gain (loss) of \$1,520 and \$(288), respectively, were recorded from TRIDENT8 and losses of \$(1,585) were recorded prior to 2020 for a net book value of \$5,647, which is reported in other assets on the consolidated statements of financial position. As a result of the COVID-19 pandemic, the Laver Cup was not held in 2020.

### *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 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, of which \$2,000 was paid in 2020 and the remaining balance was paid in 2021.

### **15. USTA Foundation**

For the years ended December 31, 2021 and 2020, the Organization contributed certain services, facilities, and a cash grant to USTA Foundation at a cost of \$2,642 and \$2,707, 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.

### **16. 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 \$1,088 and \$1,319 for the years ended December 31, 2021 and 2020, respectively. The Organization made a discretionary contribution to the plan of \$1,177 for the year ended December 31, 2021 and for the year ended December 31, 2020 the Organization did not make a discretionary employer contribution.

### **17. 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 ten-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.



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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. In 2020 as a result of the COVID-19 pandemic the lease was amended so that NTC was only required to pay base rent. Rent expense charged to operations for the years ended December 31, 2021 and 2020, amounted to \$4,170 and \$440, respectively. 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, 2021 and 2020, 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 \$181 and \$164 for 2021 and 2020, respectively.

### *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 Masters 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 \$1,035 in 2021 and \$1,045 in 2020, as compared to payments of \$1,285 and \$1,295 in 2021 and 2020, 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, 2021, is \$5,695.

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.

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## Notes to Consolidated Financial Statements (dollars in thousands)

### *Summary of Operating Lease Commitments*

Minimum operating lease commitments at December 31, 2021 for the various leases described in this note are as follows:

#### *Year ending December 31,*

2022	\$	1,769
2023		1,595
2024		1,567
2025		7,335
2026		441
2027 and thereafter		11,470
<b>Total</b>	<b>\$</b>	<b>24,177</b>

### *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, 2020, USTA would have recorded a commitment of \$55.

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 with the last payment being made in 2020. 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 2021 and 2020 operating expenses of \$200 for each year 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.

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### *Section Funding*

USTA is committed to the mission to promote and develop the growth of tennis which includes growing the game at the grass root and local level. According to the Physical Activity Council's Participation (PAC) report produced by Sports Marketing Surveys, tennis participation in the U.S. increased by 22% in 2020. In the spirit of USTA's mission and sustaining such growth, in 2022 USTA has committed \$56,000 of Network Funding Grants to the 17 Sectional Associations as established by the USTA bylaws with projected annual increases of 3.5% for 2023 and 2024. These grants are subject to a number of funding conditions including (i) no event that significantly disrupts the normal operations of the US Open or has had or is reasonably expected to have a material adverse effect on the USTA, (ii) the ability for USTA to perform any of its obligations under documents governing its indebtedness, and (iii) a number of other funding conditions subject to the terms and conditions of the Section Funding Agreement.

### **18. Risks and Uncertainties**

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of the COVID-19 outbreak and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

Despite the ongoing pandemic, the 2021 and 2020 US Open and Masters Tournament events were staged successfully garnering strong interest and providing the resilience of fan support. In 2020 the tournaments were hosted without fans and in 2021 the events were hosted with fans, however, fans attending the US Open were required to show proof of vaccination.

The 2020 US Open and Masters Tournament events were held at the NTC Facility without fans as part of a comprehensive health and safety plan approved by New York State government officials. As a result, there were materially less revenues generated by the events which triggered the Organization instituting a number of measures to address the decline in operating cash flows including (i) issuing a revolving credit facility (Note 12), (ii) amending the lease with the City of New York (Note 17), (iii) liquidating funds from the investment portfolio to cash and cash equivalents and (iv) taking other cost cutting measures (e.g. 20% staff reduction, senior management temporary compensation reductions, reduction in travel and discretionary expenses) that resulted in savings in 2020 and savings for the foreseeable future.

In 2021 the Organization was able to resume normal business operations for the US Open and the Masters Tournament events. The US Open was held at the NTC Facility and fans were able to attend subject to providing proof of vaccination as required by the City of New York. The net financial performance of the US Open continued to be strong with increasing revenues for broadcast and sponsorship, however, attendance was down from 2019 resulting in a 10% decrease in ticket revenues. The Masters Tournament resumed normal business operations in Mason, Ohio with fans being able to attend the event. Both events net financial performance were better than pre-pandemic levels, 2019.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full impact that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

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On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was enacted. To date the CARES Act has not had a material impact on the financial condition, results of operations and liquidity.

### **19. Subsequent Events**

The Organization has evaluated subsequent events through March 23, 2022, 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.