United States Tennis Association Incorporated and Affiliates

Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

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Contents

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of United Statements Tennis Association Incorporated and Affiliates (the Organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of changes in net assets, activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, and the changes in its 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 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 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 consolidated financial statements are 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, P.C.

March 29, 2024

United States Tennis Association Incorporated and Affiliates

Consolidated Statements of Financial Position
(dollars in thousands)

December 31,		**2023**		2022
Assets				
Current Assets				
Cash and cash equivalents	**$**	**253,807**	$	360,479
Investments (Note 6)		**272,125**		88,565
Accounts receivable, net of allowance for credit losses of $774		**16,747**		12,945
Other current assets		**11,085**		11,303
Total Current Assets		**553,764**		473,292
Restricted Cash and Cash Equivalents		**1,683**		428
Debt Service Reserve Escrow		**30,582**		29,109
Long-Term Investments (Note 6)		**65,573**		44,550
Property, Building, and Equipment, Net (Note 8)		**641,668**		666,630
Right-of-Use Assets Operating Lease (Note 15)		**15,995**		9,303
Other Assets		**14,810**		10,782
Total Assets	**$**	**1,324,075**	$	1,234,094
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	**$**	**52,924**	$	43,798
Accrued interest payable		**10,748**		11,243
Deferred income		**16,832**		15,699
Operating lease liabilities, current portion		**1,666**		240
Current portion of debt payable (Notes 10 and 11)		**34,813**		29,443
Total Current Liabilities		**116,983**		100,423
Debt Payable, less current portion and deferred debt finance costs, net (Notes 10 and 11)		**552,269**		586,474
Deferred Income, less current portion		**10,030**		11,866
Operating Lease Liabilities, net of current portion (Note 15)		**15,639**		9,788
Other Liabilities		**3,804**		2,761
Total Liabilities		**698,725**		711,312
Commitments and Contingencies (Notes 10, 11, 12, and 15)				
Net Assets Without Donor Restrictions				
General		**352,776**		386,488
Board-designated funds:				
Board-designated		**133,640**		128,600
Board-designated Series D Notes $100 million		**105,433**		-
Board-designated Innovation Fund $30 million		**27,473**		-
Total Board-Designated Funds		**266,546**		128,600
Net Assets with Donor Restrictions		**6,028**		7,694
Total Net Assets		**625,350**		522,782
Total Liabilities and Net Assets	**$**	**1,324,075**	$	1,234,094

See accompanying notes to consolidated financial statements.

United States Tennis Association Incorporated and Affiliates

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

	Controlling Interest				
	General	Board-Designated	Total Controlling Interest	Non-Controlling Interest	Total
Net Assets, January 1, 2022	$ 115,952	$ 120,000	$ 235,952	$ 1,562	$ 237,514
Gain attributable to controlling interest	58,432	8,600	67,032	-	67,032[(a)]
Gain attributable to sale from discontinuing operations, net of transaction cost	209,580		209,580	-	209,580[(a)]
Gain attributable to non-controlling interest	10,218	-	10,218	674	10,892[(a)]
Distributions to non-controlling interest	-	-	-	(1,023)	(1,023)
Sale of non-controlling interest	-	-	-	(1,213)	(1,213)
Net Assets, December 31, 2022	394,182	128,600	522,782	-	522,782
Change in net assets	(35,378)	137,946	102,568	-	102,568
Net Assets, December 31, 2023	$ 358,804	$ 266,546	$ 625,350	$ -	$ 625,350

(a) Portion of $287,504, 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)

Year ended December 31,	**2023**	2022
	(Without Donor Restrictions)	
Operating Revenues		
US Open	$ **514,105**	$ 472,172
USA team events and tour events (Note 12)	**2,174**	3,047
Membership	**16,659**	15,683
Facilities (including NTC tennis programs and National Campus)	**17,038**	15,086
Community tennis and USTA Foundation, special events (net of direct benefit to the donor), leagues, and tournaments	**17,570**	16,382
Investment return allocated to operations (Note 7)	**7,900**	2,840
Other	**5,325**	3,381
Total Operating Revenues	**580,771**	528,591
Operating Expenses		
Program services:		
US Open:		
Direct expenses	**198,517**	178,287
Depreciation, pledge, and debt interest expense	**60,677**	65,875
USA team events and tour events (Note 12)	**5,425**	5,351
Membership	**713**	1,947
Facilities (including NTC tennis programs and National Campus), including depreciation and debt interest	**21,946**	18,908
Community tennis and USTA Foundation	**138,667**	116,146
High Performance (including Pro Circuit and Player Development)	**23,944**	21,334
Officials/training and development	**2,682**	2,227
Marketing, digital, and other program services	**29,477**	30,209
Total Program Services	**482,048**	440,284
Supporting services:		
Administrative and supporting services (including depreciation)	**30,378**	28,865
Total Operating Expenses	**512,426**	469,149
Excess of Operating Revenues Over Operating Expenses Without Donor Restrictions	**68,345**	59,442
Non-Operating Other Income and Deductions		
Investment return, net of amounts allocated to operations (Note 7)	**28,355**	(12,026)
(Loss) gain on equity investment (Note 12)	**(375)**	869
Loss on disposal of property, building, and equipment	**(69)**	(898)
Sale of office building, net of expenses (Note 14)	**7,588**	-
Unrestricted change in Affiliation with USTA Foundation	**-**	11,951
Change in Net Assets from Discontinued Operations		
Operational surpluses from discontinued operations	**-**	10,892
Gain from sale of discontinued operations (Note 16)	**390**	216,768
Direct costs on sale of tennis tournaments	**-**	(7,188)
Total Non-Operating Other Income and Deductions and Discontinued Operations	**35,889**	220,368
Change in Net Assets with Donor Restrictions		
Contributions with donor restrictions (Note 17)	**1,233**	2,278
Net assets released from restrictions (Note 17)	**(2,899)**	(1,907)
Subtotal	**(1,666)**	371
Restricted Change in Affiliation with USTA Foundation	**-**	7,323
Change in Net Assets with Donor Restrictions	**(1,666)**	7,694
Excess of Revenues Over Expenses	$ **102,568**	$ 287,504

See accompanying notes to consolidated financial statements.

United States Tennis Association Incorporated and Affiliates

Consolidated Statements of Cash Flows
(dollars in thousands)

Year ended December 31,	2023	2022
Cash Flows from Operating Activities		
Excess of revenues over expenses	**$ 102,568**	$ 287,504
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Net gain from discontinued operations	**-**	(10,892)
Unrealized net gain from change in affiliation with USTA Foundation	**-**	(7,891)
Depreciation and amortization of leasehold improvements (Note 8)	**49,510**	53,973
Interest expense related to deferred issuance costs (Notes 10 and 11)	**609**	817
Realized gain on sale of securities, net (Note 7)	**(1,621)**	(3,056)
Unrealized (gain) loss on investments, net (Note 7)	**(15,980)**	16,684
Net gain on sale of investment in tennis tournaments	**(390)**	(216,768)
Direct costs for sale of tennis tournament	**-**	7,188
Undistributed equity loss (gain) in investee (Note 12)	**375**	(869)
Loss on disposal of property, building, and equipment (Note 8)	**69**	898
Gain on sale of office building (Note 14)	**(7,700)**	-
Increase in right-of-use operating lease	**585**	24
Increase in reserve for credit losses	**774**	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	**(3,600)**	5,576
(Increase) decrease in other assets	**(262)**	59
Increase in accounts payable, accrued expenses, and other liabilities	**8,295**	5,251
Decrease in deferred income	**(703)**	(9,311)
Net Cash Provided by Operating Activities	**132,529**	129,187
Cash Flows from Investing Activities		
Purchase of property, building, and equipment	**(23,238)**	(16,662)
Proceeds from sale of office building (Note 14)	**2,800**	-
Increase in debt service reserve escrow	**(1,473)**	(87)
Purchase of investments	**(189,862)**	(80,129)
Proceeds from sales of investments	**2,880**	32,596
Net Cash Used in Investing Activities	**(208,893)**	(64,282)
Cash Flows from Financing Activities		
Repayments on credit facility	**-**	(75,000)
Borrowings on credit facility, net of issuance costs (Note 11)	**-**	14,630
Scheduled payment of debt payable	**(29,443)**	(28,434)
Net Cash Used in Financing Activities	**(29,443)**	(88,804)
Net Decrease in Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents from Continuing Operations	**(105,807)**	(23,899)
Cash Flow from Discontinued Operations		
Operating	**-**	(9,735)
Investing	**390**	269,841
Financing	**-**	(25,601)
Net Increase in Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents from Discontinued Operations	**390**	234,505
Net (Decrease) Increase in Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents	**(105,417)**	210,606
Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, beginning of year	**360,907**	150,301
Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, end of year	**$ 255,490**	$ 360,907

United States Tennis Association Incorporated and Affiliates

Consolidated Statements of Cash Flows
(dollars in thousands)

Year ended December 31,		2023		2022
Reconciliation of Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, end of year				
Cash and cash equivalents	$	**253,807**	$	360,479
Restricted cash and cash equivalents		**1,683**		428
Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, end of year	$	**255,490**	$	360,907
Supplemental Disclosures of Cash Flow Information				
Interest	$	**23,355**	$	27,307
Taxes		**360**		253
Supplemental Disclosure of Non-Cash Financing and Investing Activities				
Property, building, and equipment purchased through accounts payable/accrued expenses and other liabilities	$	**12,269**	$	10,889
Operating lease assets obtained in exchange for operating lease liabilities upon adoption		**8,028**		9,557
Loan receivable from the sale of office building (Note 14)		**4,900**		-

See accompanying notes to consolidated financial statements.

1. Organization

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of United States Tennis Association Incorporated (USTA); USTA National Tennis Center Incorporated (NTC); USTA Player Development Incorporated (PD); Cincinnati Tennis, LLC (Cincy); USTA Foundation Incorporated (USTA Foundation); 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 of America (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 credit losses, the valuation of both alternative investments, intangible asset and certain accrued liabilities. 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).

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. The land on which the facilities are leased is 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.

USTA Foundation is a New York not-for-profit corporation organized by USTA, whose purpose is to:

- Provide and support educational activities for under-resourced youth who participate in tennis programs.
- Provide academic and athletic scholarships to under-resourced youth who participate in tennis programs.
- Support the growth of tennis programs for youth in community programs, educational facilities, and public facilities to improve the quality of life, promote good character, responsible citizenship, and good health.
- Support community programs, educational institutions, and public facilities to help foster the development and growth of tennis programs for youth, and tennis education in general.

USTA is the sole voting member of USTA Foundation. However, USTA Foundation's Board of Directors is an independent body whose majority is comprised of non-USTA Board members. It is the responsibility of USTA Foundation's Board of Directors to help set policy and oversee day-to-day operations of USTA Foundation.

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, USTA's ownership interest was 93.8%. The remaining interest was owned by former members of TCI Ventures, LLC and by Octagon, Inc. and 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. On August 10, 2022, the Board of USTA voted on the sale of Cincy and on September 30, 2022, it was sold as further discussed in Note 16 of the consolidated financial statements.

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 statements 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.

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

(dollars in thousands)

USTA's Board of Directors designates a portion of general net assets without donor restrictions for specific purposes. Funds designated by the Board of Directors are as follows:

- Funds 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.
- An allocation of $100,000 of funds that will be invested in accordance with a Board approved investment policy with an objective to generate at least 5% nominal annualized returns (net of all fees). The purpose of setting aside these funds is to repay the balloon payment for the Series D Notes liability on June 30, 2033. At December 31, 2023 the Series D balance was $105,433.
- An allocation of $30,000 to fund priorities for players, coaches and facilities at the National and Section level. Grants of $2,527 were distributed in 2023 leaving a remaining balance of $27,473 at December 31, 2023.

USTA Foundation's Board of Directors designates a portion of general net assets without donor restrictions for specific purposes. Funds designated in 2023 and 2022 of $13,640 and $8,600, respectively, are set aside to fund one year of operating expenses in the event of an emergency (e.g., pandemic) and/or to fund programmatic opportunities identified in the strategic plan the USTA Foundation is embarking on in 2024.

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, 2023 and 2022, the amounts on deposit with such institutions were $1,683 and $428, respectively, dedicated to financing the NTC improvements discussed in Note 9. Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. At various times during the year, the Organization may have cash deposits at financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

December 31,		**2023**		2022
Cash and cash equivalents	**$**	**253,807**	$	360,479
Restricted cash and cash equivalents		**1,683**		428
Total	**$**	**255,490**	$	360,907

Debt Service Reserve Escrow

As of December 31, 2023 and 2022, 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 10. As of December 31, 2023 and 2022, the amounts on deposit with the institution included a six-month debt service reserve of $30,582 and $29,109, respectively.

Accounts receivable

Trade receivables include contractual receivables due within one year for a range of items including broadcasting, data rights, sponsorship, merchandising, re-billable items, and other items due less than one year. Receivables consist of amounts billed to various reputable corporations in exchange for obligations that take place during the Organization's US Open event. Accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. The Organization separates accounts receivable into risk pools based on their aging. In determining the amount of the allowance as of the balance sheet date, the Organization develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. At December 31, 2023, the Organization determined that historic and future loss rates will be consistent during the next fiscal year and considered the need for any additional qualitative adjustments and concluded for 2023 to record $774 allowance on outstanding balances.

Fair Value Measurements

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

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

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

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

Contract Assets

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

Property, Building, and Equipment

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

The estimated useful lives of the assets are as follows:

Asset Category	Estimated Useful 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.

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 years ended December 31, 2023 and 2022, 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.

Concentrations

The Organization generated over 88% of its operating revenues for both years ending 2023 and 2022, respectively, including barter received, from the US Open, out of which over 20% are from two contracts related to broadcasting revenue. 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 Community Tennis and USTA contributions, special events, leagues and tournaments as with or without donor restrictions.

Conditional promises to give, including those received under multi-year grant agreements, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. A promise is considered conditional only if the donor has stipulated one or more barriers that must be overcome before USTA Foundation is entitled to the assets transferred or promised, and there also exists a right of return to the donor of any assets transferred or a right of release of the donor’s obligation to honor the promise. A transfer of assets from a donor that contains donor conditions is accounted for as deferred revenue until the conditions have been substantially met or explicitly waived by the donor.

In the statements of activities, special events income is reported in Community Tennis and USTA Foundation contributions, special events, leagues and tournaments net of the cost of direct donor benefits. Income and expense are directly attributable to a fundraising activity or event held by USTA Foundation to raise additional funds other than contributions.

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, 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 expenses are service providers that are allocated based on headcount. The information technology department is allocated based on estimates of time and costs to support specific areas.

Investment Return

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

Income Taxes

USTA, NTC, PD and USTA Foundation 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 limited liability company (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, 2023 and 2022, 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.

Advertising Costs

The Organization expenses advertising costs as they are incurred. The Organization recognized advertising expense of $5,942 and $7,095 for the years ended December 31, 2023 and 2022, respectively, in the accompanying consolidated statements of activities. These are advertising expenses for the US Open, US Open Series, and Community Tennis programs.

In addition to the above, the Organization received barter advertising with an estimated fair market value to USTA of $4,872 and $4,456 for the years ended December 31, 2023 and 2022, 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 amounts of time to the Organization. These services do not meet the conditions that would require recognition as revenue and expense, as required by U.S. GAAP.

Non-Controlling Interest

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

Reclassifications

Certain prior-year amounts have been reclassified to conform to the current-year presentation. This includes reclassification of operating lease liabilities, current portion from accounts payable and accrued expenses on the consolidated statements of financial position. The impact of these reclassifications was not material to the Organization’s consolidated financial statements.

Recently Adopted Accounting Pronouncements

Financial Instruments – Credit Losses (Topic 326)

The FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new credit losses standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASC 606, loans, and certain other instruments, entities will be required to use new forward-looking expected loss model that generally will result in earlier recognition of credit losses than under today’s incurred loss model. ASU 2016-13 is effective for annual periods beginning after December 15, 2022. The Organization adopted the ASU effective January 1, 2023 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures, which included loans held for investment and commitments to extend credit (loan commitments and stand-by letters of credit), respectively. The Organization does not have any securities classified as held to maturity. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326, while prior period amounts are reported in accordance with previously applicable U.S. GAAP. At adoption, the Organization recognized an allowance for credit losses on its accounts receivable of $774 and a decrease in net assets without donor restrictions of $774.

(dollars in thousands)

3. Liquidity and Availability of Resources

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

December 31,	**2023**	2022
Cash and cash equivalents	**$ 253,807**	$ 360,479
Investments	**272,125**	88,565
Accounts receivable, net	**16,747**	12,945
Resources Available for General Expenditures	**542,679**	461,989
Less: amounts unavailable for general expenditures within one year due to:		
Board-designated	**133,640**	128,600
Board-designated Series D Notes $100 million	**105,433**	-
Board-designated Innovation Fund $30 million	**27,473**	-
Net assets with donor restrictions	**6,028**	7,694
Total Resources Available for General Expenditures Within One Year	**$ 270,105**	$ 325,695

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. Investments, further discussed in Note 6, include foreign and domestic common stock, publicly traded mutual funds, common collective trusts, and alternative investments, all of which can be liquated within 12 months. To help manage unanticipated liquidity needs in 2020, the Organization issued a $150,000 credit facility that was subsequently renewed in June of 2022 at a reduced amount of $75,000 (see Note 11), which it could draw upon. In 2023 no amounts were drawn on the credit facility and in February 2023 USTA terminated the $75,000 credit facility given it has sufficient liquid financial assets inclusive of cash and cash equivalents and investments as disclosed in the statements of financial position.

4. 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.

(dollars in thousands)

Contracts with Customers

Revenues with customers is comprised of the following:

December 31,		**2023**		2022
Ticket revenues	$	**185,424**	$	167,452
Broadcast revenues		**142,934**		143,610
Sponsorship revenues		**122,492**		106,675
Corporate hospitality and service revenues		**71,027**		61,411
Membership revenues		**16,659**		15,683
Tennis programs		**12,610**		10,710
Other contracted		**7,433**		7,188
Total Revenue from Contracts Subject to ASC 606		**558,579**		512,729
Total Other Revenues Not Subject to ASC 606[1]		**22,192**		15,862
Total Operating Revenues	$	**580,771**	$	528,591

[1] Other revenues not subject to ASC 606 include investment return allocated to operations, rental income, contributions, and state incentives related to a relocation to Florida.

Ticket Revenues

2023 and 2022 ticket revenues are principally sourced from the US Open. Ticket revenues, net of admissions taxes, amounted to $185,424 and $167,452 for the years ended December 31, 2023 and 2022, respectively. Sales of tickets to attend the US Open are derived from a wide range of individuals and corporations prior to and at the event. Ticket revenues are deferred until the point in time in which the tournament 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, 2023 and 2022 were $138,062 and $139,154, respectively. In addition, the estimated value of broadcasting barter revenue received for the years ended December 31, 2023 and 2022 were $4,872 and $4,456, respectively. Such agreements are subject to termination and renewal clauses. Pursuant to the Organization’s policy of accounting for transactions with multiple elements described elsewhere herein, a portion of the aggregate gross revenues derived from television rights agreements specified above has been allocated to ticket revenue. Accordingly, for financial reporting and disclosure purposes $1,632 and $2,061 in 2023 and 2022, respectively, of the aggregate broadcasting revenues specified above have, instead, been included in the amounts reported under ticket revenues as described elsewhere in this note. In total for the years ended December 31, 2023 and 2022, cash consideration and barter offset by amounts reported under ticket revenues resulted in net broadcasting revenues of $142,934 and $143,610, respectively.

The Organization’s performance obligations consist of the conducting of the US Open 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 tournament occur.

Sponsorship Revenues

Sponsorship revenues involve various forms of sponsorship for the US Open, US Open Series, Davis and Billie Jean King Cups, and USTA National Campus. Sponsorship revenues are derived from 27 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, 2023. The gross aggregate revenues derived from cash consideration from such agreements for the years ended December 31, 2023 and 2022 were $115,942 and $102,273, respectively. In addition, the estimated value of sponsorship barter revenue received for the years ended December 31, 2023 and 2022 were $6,550 and $4,402, 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, $21,452 in 2023 and $18,735 in 2022 of the aggregate sponsorship revenues specified above have, instead, been included in the amounts reported under ticket revenues and under 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, 2023 and 2022, cash consideration and barter offset by amounts reported under ticket revenues and under corporate hospitality and service revenues result in net sponsorship revenues of $122,492 and $106,675, 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.

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(dollars in thousands)

Disaggregated corporate hospitality and service revenues are as follows:

December 31,		**2023**		2022
Hospitality sales	**$**	**36,909**	$	32,044
Licensing food and beverage		**21,705**		18,848
Licensing merchandise		**10,580**		8,971
Royalties		**1,833**		1,548
Total Corporate Hospitality and Service Revenues	**$**	**71,027**	$	61,411

2023 and 2022 sales of corporate hospitality are principally from the US Open and are sold predominately in fiscal periods prior to the tournaments. All such revenues are deferred until the point in time the tournaments occur. Licensing for food and beverage and merchandise sales includes minimum guarantees and is recognized at a point in time when the tournaments occur. Royalties are recognized in the period the manufacture or sale of the item giving rise to the royalty occurs.

USTA Memberships' Revenue

USTA's memberships' 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, 2023 and 2022 were $16,659 and $15,683, 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, 2023 and 2022, USTA has determined the estimate of refunds are not material to the 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 are as follows:

December 31,		**2023**		2022
Tennis programs	**$**	**7,933**	$	6,662
Tennis court rentals		**2,055**		1,606
Tennis registration fees		**2,622**		2,442
Total Tennis Program Revenues	**$**	**12,610**	$	10,710

(dollars in thousands)

Other Contracted Revenues

Other revenues are predominately from NTC Facility license fees 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	
	2023	2022	**2023**	2022	**2023**	2022
Beginning of year	**$ 12,808**	$ 15,104	**$ -**	$ -	**$ 19,715**	$ 28,570
End of year	**15,685**	12,808		-	**19,553**	19,715

5. Analysis of Expenses by Function and Nature

Below is an analysis of expenses by function and nature:

December 31, 2023

	Program Services	Administration and Other Costs	Total
Player compensation	$ 65,739	$ -	$ 65,739
Grants	77,796	-	77,796
Depreciation and amortization of property, building, and equipment	47,451	2,668	50,119
Payment of bond interest	22,860	-	22,860
Compensation	50,136	14,800	64,936
Compensation seasonal	7,872	-	7,872
Payroll taxes	3,827	842	4,669
Other employee benefits	8,500	1,949	10,449
Professional services	43,002	3,089	46,091
Occupancy	6,627	2,157	8,784
Occupancy – cleaning, supplies and waste removal	6,045	248	6,293
Occupancy – maintenance	15,317	18	15,335
Occupancy – utilities	4,069	110	4,179
Occupancy - other	600	177	777
Advertising/printing and publications	6,243	28	6,271
Insurance	3,207	2,101	5,308
Barter	11,345	77	11,422
Event production and all other expenses	101,412	2,114	103,526
Total Functional Expenses	$ 482,048	$ 30,378	$ 512,426

(dollars in thousands)

December 31, 2022

	Program Services	Administration and Other Costs	Total
Player compensation	$ 62,477	$ -	$ 62,477
Grants	68,191	-	68,191
Depreciation and amortization of property, building, and equipment	50,110	4,679	54,789
Payment of bond interest	26,131	-	26,131
Compensation	46,049	12,772	58,821
Compensation seasonal	6,070	-	6,070
Payroll taxes	3,269	660	3,929
Other employee benefits	7,505	1,759	9,264
Professional services	34,145	3,242	37,387
Occupancy	6,242	714	6,956
Occupancy – cleaning, supplies and waste removal	5,272	219	5,491
Occupancy – maintenance	11,966	121	12,087
Occupancy – utilities	3,700	287	3,987
Occupancy - other	580	312	892
Advertising/printing and publications	8,765	24	8,789
Insurance	3,071	2,247	5,318
Barter	8,781	77	8,858
Event production and all other expenses	87,960	1,752	89,712
Total Functional Expenses	$ 440,284	$ 28,865	$ 469,149

6. Financial Instruments and Fair Value

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

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

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

(dollars in thousands)

Certain alternative investments, which include private equity investments, have rolling lockups ranging from one to three years. In addition, for the years ended December 31, 2023 and 2022, the carrying values of private equity investments do not include future funding commitments of $18,603 and $13,870, 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 non-current assets section of the consolidated statements of financial position.

Advanced contributions to underlying funds consist of deposits made by the Organization to investment subscriptions that were in transit at fiscal year-end. These are not subject to fair value measurement and are reported at cost.

The following table identifies assets measured at fair value and NAV on a recurring basis, including investments and debt service reserve escrow:

December 31,	**2023**	2022
Level 1:		
Corporate and government fixed-income securities	**$ -**	$ -
Publicly traded mutual funds:		
Fixed-income instruments	**139,516**	13,215
International equities	**33,161**	15,110
Mutual funds	**6,945**	5,900
Debt service reserve escrow:		
Cash	**2,460**	969
Corporate and government fixed-income securities	**28,122**	28,140
Level 2:		
Common/collective trusts and private mutual funds	**9,005**	4,460
Total Investment at Fair Value	**219,209**	67,794
Investments valued at NAV[1]:		
Common/collective trusts and private mutual funds	**52,476**	24,748
Alternative investments and private equity	**77,470**	69,682
Total Investment at NAV	**129,946**	94,430
Investments valued at cost:		
Cash	**2,125**	-
Advanced contributions to underlying funds	**17,000**	-
Total Investment at cost	**19,125**	-
Total	**$ 368,280**	$ 162,224

(dollars in thousands)

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

The following tables represent the Organization's investments by asset class and their respective liquidity terms and unfunded commitments:

December 31, 2023

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period (Days)
Common/collective trusts and private mutual funds:				
Global ex-U.S. equity	$ 46,222	$ -	Monthly	15
Emerging markets	15,259	-	Monthly	30
Total	$ 61,481	$ -		
Alternative investments:				
Absolute return	$ 5,497	$ -	Semiannually	60-65
Hedge fund	25,826	-	Annually	30-90
Private equity	65,272	18,603	See note (a)	See note (a)
Total	$ 96,595	$ 18,603		

December 31, 2022

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period (Days)
Common/collective trusts and private mutual funds:				
Global ex-U.S. equity	$ 19,785	$ -	Monthly	15
Emerging markets	9,423	-	Monthly	30
Total	$ 29,208	$ -		
Alternative investments:				
Absolute return	$ 5,082	$ -	Semiannually	60-65
Hedge fund	20,318	-	Annually	30-90
Private equity	44,282	13,870	See note (a)	See note (a)
Total	$ 69,682	$ 13,870		

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

(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, 2023 and 2022, the total comingled investment balance attributed to the Sections was $5,887 and $6,466, respectively. The investments of the Organization are presented at net of these Sections investment balances on the consolidated statements of financial position.

7. Investment Return Presentation

The following schedule summarizes the investment portfolio return:

Year ended December 31,		**2023**		2022
Dividend and interest income (net of interest expense, excluding debt interest, and investment fees)	**$**	**18,654**	$	4,442
Realized gain, net		**1,621**		3,056
Change in unrealized gain (loss), net		**15,980**		(16,684)
		36,255		(9,186)
Investment return allocated to operations		**(7,900)**		(2,840)
Investment Return, net of amounts allocated to operations	**$**	**28,355**	$	(12,026)

USTA has reported a portion of the return on the investment portfolio as a source of funding for operating expenditures and is noted in the table above as investment return allocated to operations. This amount is not to exceed 5% of the average market value of the last 12 quarters of the total investment portfolio or the market value of the previous year (inclusive of any uninvested cash), whichever is less (amounts not based on the actual return of the investment portfolio). This amount is presented in the consolidated statements of activities as investment return allocated to operations, a separate line item within operating revenue. It amounted to $7,900 and $2,840 for the years ended December 31, 2023 and 2022, respectively. A corresponding deduction is included within non-operating 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. Investment return presented above is net of direct external investment expenses.

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(dollars in thousands)

8. Property, Building, and Equipment, Net

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

December 31,	**2023**	2022
Land, building, and improvements	$ **-**	$ 10,379
Leasehold improvements	**1,145,675**	1,138,101
Machinery and equipment	**115,735**	109,015
Computer hardware and software	**95,563**	86,965
Furniture and fixtures	**72,271**	67,808
Construction-in-progress	**2,153**	7,189
	1,431,397	1,419,457
Less: accumulated depreciation and amortization	**(789,729)**	(752,827)
Property, Building, and Equipment, Net	$ **641,668**	$ 666,630

Depreciation and amortization expense was $49,510 and $53,973 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, $66,509 and $60,720, respectively, of computer software costs have been capitalized. Accumulated amortization for such software costs is $52,315 and $47,095 as of December 31, 2023 and 2022, respectively.

Construction-in-progress included various ongoing site-wide improvements at the NTC Facility. The funding is comprised of cash and cash equivalents, investments, and revenue generation.

Capitalized Interest

For the years ended December 31, 2023 and 2022, the Organization did not capitalize interest on qualifying assets.

9. Line of Credit and Irrevocable Letter 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. The letters of credit automatically renew for a one-year period upon each expiration date and the next renewal date is April 8, 2025. The variable interest rate is prime rate plus 1.00% for 1 to 60 days and prime rate plus 2.00% over 60 days. There were no drawings against these letters of credit in 2023 and 2022.

10. 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 settle all series of bonds outstanding in 2014, fund the Debt Service Reserve Account, and provide financing for capital improvements at the NTC Facility.

(dollars in thousands)

The following table provides an overview of the Notes facility discussed in Note 11:

	Notes, Series A	Notes, Series B	Notes, Series C	Note, Series D	Credit Facility (Note 11)	Total
Date of funding	September 8, 2014	September 8, 2014	May 26, 2016	June/July 2018[a]	July 18, 2022	
Principal amount at inception	$ 75,000	$ 325,000	$ 200,000	$ 150,000	$ 75,000	$ 825,000
Term (in years)	10	25	20	15	2	10–25
Interest rate (%)	3.11	4.08	3.29[b]	4.04[c]	Variable[d]	2.50–4.08
Maturity Date	September 8, 2024	September 8, 2039	January 8, 2037	June 6, 2033	February 2023	
Balance, December 31, 2023	$ 12,777	$ 248,706	$ 178,640	$ 150,000	$ -	$ 590,123[e]

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

(b) Interest only for the first five years.

(c) Interest only for 15 years, with a balloon payment due at the end of 15 years on June 6, 2033.

(d) Variable interest rate based on plus 2.5%.

(e) Amount shown on consolidated statements of financial position under debt payable, less current portion and deferred debt finance costs, net of $552,269 is net of current portion of debt payable of $34,813 and unamortized deferred finance costs of $3,041. At December 31, 2022, the corresponding amounts were $586,474, which was net of $29,443 payable in 2023 and unamortized deferred finance costs of $3,649.

The Notes were issued to institutional accredited investors within the meaning of Regulation D under the Securities Act of 1933, as amended and are secured by the assets of the NTC. 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.

(dollars in thousands)

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 2023 and 2022, such requirement totaled $28,525, in 2023 and 2022, respectively. At December 31, 2023 and 2022, cash and securities on deposit totaled $30,582 and $29,109, 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, 2023 and 2022.

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 2023 and 2022, $392 and $416, respectively, was amortized, along with $3,084 being amortized prior thereto, resulting in unamortized deferred issuance costs of $3,041 and $3,433 at December 31, 2023 and 2022, respectively.

The following table sets forth the scheduled annual principal payments to be made on the Notes, Credit Facility (see Note 11) during each of the next five years and all years thereafter:

Year ending December 31,

	Principal Payments
2024	$ 34,813
2025	22,854
2026	23,702
2027	24,583
2028	25,497
2029 and thereafter	458,674
	$ 590,123

11. 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 2022 $15,000 was drawn on the Credit Facility while $75,000 was repaid in 2022. At December 31, 2023 and 2022, there was no outstanding balance on the Credit Facility and in February 2023 the USTA terminated the Credit Facility.

12. Tournaments

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 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 2023 a loss of $(375) was recorded and for 2022 a gain of $869 was recorded from TRIDENT8 and loss of $(352) were recorded prior to 2022 for a net book value of $6,142 which is reported in other assets on the consolidated statements of financial position.

13. 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 $1,329 and $1,182 for the years ended December 31, 2023 and 2022, respectively. For the years ended December 31, 2023 and 2022, the Organization recorded a discretionary contribution of $1,426 and $1,300, respectively.

14. Office Building (Sale)

On February 23, 2023, NTC entered into an agreement to sell the office building referred to as White Plains Headquarters. The NTC sold the property for $7,700. As part of the sale, NTC received $2,800 in cash and agreed to hold a promissory note for the remaining balance of $4,900 that is included in the other assets on the consolidated statements of financial position. The promissory note term is for five years expiring February 28, 2028 with annual interest rate at 5%. As part of the sale agreements (i.e., mortgage and security agreements), the new owner is subject to certain restrictions (e.g., no demolition) as further discussed in the documents.

The office building was fully depreciated at the time of the sale. The NTC incurred closing expenses of $112 resulting in a net gain of $7,588 which is recorded in the non-operating income (loss) section of the statement of activities.

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15. Commitments and Contingencies

Leases

The Organization adopted ASU 2016-02, *Accounting for Leases (Topic 842)*, effective January 1, 2022. The Organization leases certain property and equipment under finance and operating leases. Leases are classified as either finance or operating leases based on the underlying terms of the agreement and certain criteria, such as the term of the lease relative to the useful life of the asset and the total lease payments to be made as compared to the fair value of the asset, amongst other criteria. Finance leases result in an accounting treatment similar to an acquisition of the asset.

For leases with initial terms greater than a year (or initially, greater than one year remaining under the lease at the date of adoption of ASU 2016-02), the Organization records the related right-of-use assets and liabilities at the present value of the lease payments to be paid over the life of the related lease. The Organization's leases may include variable lease payments and renewal options. Variable lease payments are excluded from the amounts used to determine the right-of-use assets and liabilities unless the variable lease payments depend on an index or rate or are in substance fixed payments. Lease payments related to periods subject to renewal options are also excluded from the amounts used to determine the right-of-use assets and liabilities unless the Organization is reasonably certain to exercise the option to extend the lease. The present value of lease payments is calculated by utilizing the rate stated in the lease, when readily determinable. For leases for which this rate is not readily available, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term. The Organization has made an accounting policy election not to separate lease components from non-lease components in contracts when determining its lease payments for all of its asset classes, as permitted by ASU 2016-02. As such, the Organization accounts for the applicable non-lease components together with the related lease components when determining the right-of-use assets and liabilities.

The Organization has made an accounting policy election not to record leases with an initial term of less than a year as right-of-use assets and liabilities.

New York City Lease: Billie Jean King National Tennis Center

Rent expense charged to operations for the years ended December 31, 2023 and 2022 amounted to $5,275 and $4,872, respectively, of which $440 was fixed rent, and the remaining portion of $4,835 and $4,432 respectively was variable rent (1% of gross revenues). The Organization accounts for the fixed portion of the lease as a right-of-use asset – operating lease and a lease liability - operating lease.

USTA National Campus – Home of American Tennis

The Organization has built a new state-of-the-art tennis facility near Orlando, Florida on 64 acres of land owned by Lake Nona Central LLC. As part of this initiative, the Organization is to operate for a term of 30 years with an obligation to pay for all property taxes, assessments, and utility expenses. For the year ended December 31, 2023, rent expense for this facility was de minimis.

Notes to Consolidated Financial Statements (dollars in thousands)

Usage/Lease Agreement for the West Coast Training Center

The Organization is party to a training center lease that is classified as an operating lease. The lease was renewed through December 31, 2025. Rent expense for the years ended December 31, 2023 and 2022 was $152 and $154, respectively.

New York City Campus Office Lease

USTA entered into a six-year sublease, beginning January 1, 2023 and expiring on November 29, 2028, for office space in New York City. The lease includes fixed monthly rent, as well as escalation rent. Escalation rent includes variable components for USTA's portion of operating expenses, taxes, theater surcharges, and other charges, which are predominately for the Times Square Alliance. The lease includes six months of free rent and a letter of credit for the amount of $168, and does not include any purchase options or early termination provisions. Rent expense was $1,005 for the year ended December 31, 2023.

Westchester Campus Office Lease

USTA entered into a seven-year sublease, beginning April 1, 2023 and expiring December 30, 2029, for office space in Westchester, New York. The lease includes fixed monthly rent and additional rent. Additional rent includes variable components based on USTA's proportionate share of various taxes and operating expenses incremental increases from the base year as defined in the lease. The lease includes three months of free rent and a letter of credit for the amount of $134, and does not include any purchase options or early termination provisions. Rent expense was $453 for the year ended December 31, 2023.

The following table summarizes information related to the lease assets and liabilities:

December 31, 2023		
Right-of-use assets and liabilities:		
Right-of-use assets operating lease	$	15,995
Operating lease liabilities:		
Current lease liabilities		1,666
Long term operating lease liabilities		15,639
Total Operating Lease Liabilities	$	17,305

Year ended December 31, 2023		
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	1,256
Weighted-average remaining lease term – operating leases (years)		17
Weighted-average discount rate – operating leases (%)		2.92

(dollars in thousands)

Operating Leases

The following table reconciles the undiscounted operating lease payments to the lease liabilities recorded on the accompanying consolidated statements of financial position at December 31, 2023:

Year ending December 31,		
2024	$	1,991
2025		2,002
2026		2,013
2027		2,024
2028		1,951
Thereafter		11,169
Total Lease Payments		21,150
Less: imputed interest		(3,845)
Total Operating Lease Liabilities	$	17,305

Total fix rental expense charged to operations for the years ended December 31, 2023 and 2022 was $1,256 and $440, respectively.

Summary of Operating Lease Commitments

Minimum operating leases for space and equipment that expire at various dates through December 2049 at December 31, 2023 for the various leases described in this Note are as follows:

Year ending December 31,		
2024	$	1,957
2025		1,957
2026		1,957
2027		1,957
2028		1,881
2029 and thereafter		10,796
Total	$	20,505

West Coast Facility - USTA

The USTA made a $9,500 grant commitment to an independent 501(c)(3) organization for the creation and operation of a transformational youth center supporting access to high-quality academic, athletic and wellness programs in Los Angeles for underserved youth. In 2023 USTA made a contribution of $2,375 leaving the remaining balance of $7,125 payable as follows:

Year ending December 31,		
2024	$	2,375
2025		2,375
2026		2,375
Total	$	7,125

(dollars in thousands)

West Coast Facility – USTA Foundation

The USTA Foundation made a pledge of $5,000 to an independent 501(c)(3) organization for the creation and operation of a transformational youth center supporting access to high-quality academic, athletic and wellness programs in Los Angeles for underserved youth. In 2023 USTA Foundation made a contribution of $1,000 leaving the remaining balance of $4,000 payable as follows:

Year ending December 31,		
2024	$	1,000
2025		1,000
2026		1,000
2027		1,000
Total	$	4,000

Board-Designated Innovation Fund

As part of the USTA Board-designated Innovation Fund of $30,000 to accelerate the growth of the game, spur innovation, and bolster local efforts to grow tennis, USTA incurred $2,527 of grant expense. As of December 31, 2023, the balance in the Board-designated innovation fund had a balance of $27,473. As of December 31, 2023, USTA made commitments, subject to restrictions, to fund $508 of grants from the innovation fund payable predominately in 2024.

Public Facility Funding Grants

USTA issued grant letters in 2023 and 2022 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, 2023 USTA would have recorded a commitment of $3,143.

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 and 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 2023 and 2022 operating expenses of $200 for each of the years, respectively, recognized in the US Open, including depreciation, pledge, and debt interest in the consolidated statements of activities.

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 1.1% in 2023. In the spirit of USTA's mission and sustaining such growth, in 2024 USTA has committed $59,301 of Network Funding Grants to the 17 Sectional Associations as established by the USTA bylaws with projected annual increases of 3.5% for 2025 and 2026. 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.

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.

16. Discontinued Operations

In 2022, USTA's Board of Directors decided to explore opportunities to sell Cincy, inclusive of USTA's 93.8% ownership. As a result, USTA entered into an agreement on August 12, 2022 to sell Cincy to an unrelated third party for approximately $270,500 before purchase price adjustments. Cincy operates the Masters Tournament in August of each year at the Linder Family Tennis Center in Mason, Ohio. USTA concluded the transaction was a strategic shift and met the requirements of discontinued operations. As part of this assessment, USTA will no longer have control of operating the Western and Southern Open in Mason, Ohio.

On September 30, 2022, USTA completed the sale of Cincy for $270,500; USTA recognized a gain of $209,580, net of purchase price adjustments as further discussed below. USTA received cash proceeds of $234,356, the non-controlling members received proceeds $15,491, and working capital adjustments were $20,653 predominately for repayment of Cincy debt. Additionally, USTA incurred closing costs fees of $7,188 for investment bank advisor fees, legal fees, staff retention expenses, and other di minimis expenses directly associated with the sale. Finally, USTA's net book value of its investment in Cincy at the time of the sale was $17,588 resulting in a net gain, after closing cost of $209,580 as reflected on the consolidated statements of activities under non-operating other income and deductions and changes in net assets from discontinued operations.

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(dollars in thousands)

Below is a summary of the 2022 transaction:

Gross purchase price	$	270,500
Working capital adjustments		20,653
Non-controlling interests		15,491
USTA Cash Proceeds		234,356
USTA net book value		17,588
USTA Gain, before closing costs		216,768
Closing cost fees		7,188
USTA Gain, after closing costs	$	209,580

As mentioned above USTA completed the sale on September 30, 2022, so there was no impact to the consolidated statements of financial position at December 31, 2022.

Included in the change in net assets from discontinued operations within the consolidated statements of activities are the following:

Year ended December 31,		**2023**		2022
Operating Revenues				
Ticket revenues	$	-	$	16,640
Broadcast revenues		-		11,960
Sponsorship revenues		-		8,344
Corporate hospitality and service revenues		-		1,823
Other revenues		-		1,182
Total Operating Revenues		-		39,949
Operating Expenses				
Player compensation		-		9,635
Depreciation and amortization of property, building, and equipment		-		3,148
Payment of bond interest		-		723
Compensation		-		1,338
Payroll taxes		-		498
Other employee benefits		-		201
Professional services		-		313
Occupancy and office expense		-		1,815
Advertising/printing and publications		-		644
Insurance		-		544
Barter		-		401
Event production and all other expenses		-		9,797
Total Operating Expenses		-		29,057
Excess of Operating Revenues Over Operating Expenses	$	-	$	10,892

(dollars in thousands)

17. Net Assets

Net assets with donor restrictions were available for the following purposes:

December 31,		2023		2022
College scholarships	$	**1,475**	$	1,593
ACE curriculum		**4**		37
Judy Levering Leadership Initiative		**71**		59
Program grants		**650**		565
Tennis training scholarships (Evert)		**237**		196
Excellence program		**96**		279
West Coast Facility Project		**6**		33
Tennis & Education		**-**		750
Restricted for future periods		**2,931**		3,908
Tiafoe Fund		**250**		-
Other		**7**		6
		5,727		7,426
Subject to the Foundation's spending policy and appropriation:				
Investments held with donor restrictions, which, once appropriated, are expended to support:				
Scholarships		**2**		(31)
Investments held in perpetuity		**299**		299
Total Net Assets with Donor Restrictions	**$**	**6,028**	$	7,694

Net assets with donor restrictions were released for the following purposes:

December 31,		2023		2022
Multi-year pledge	$	**977**	$	985
College scholarships		**610**		134
ACE curriculum		**37**		61
Essay Contest		**-**		62
Judy Levering Leadership Initiative		**59**		1
Program grants		**438**		241
Excellence Program		**29**		192
Tennis training scholarships (Evert)		**-**		11
West Coast Project		**33**		48
Tennis & Education		**750**		-
Other		**8**		135
Total	**$**	**2,941**	$	1,870

18. Endowments

The endowment consists of funds that were established to support scholarships. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Management of USTA Foundation's endowment is governed by law in New York State based on the New York Prudent Management of Institutional Funds Act (NYPMIFA). As a result, amounts are classified in the donor-restricted endowment funds as net assets with donor restrictions because they are subject to time and purpose restrictions that must be met before they can be reclassified to net assets without donor restrictions. The Board of Directors of USTA Foundation has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted funds absent explicit donor stipulations to the contrary. As a result of this interpretation, USTA Foundation classifies as net assets with donor restrictions (a) the original value of gifts designated as donor-restricted, (b) the original value of subsequent gifts designated as donor-restricted, and (c) accumulations to the donor-restricted funds made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds. In accordance with NYPMIFA, USTA Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) the duration and preservation of the various funds; (2) the purposes of the donor-restricted endowment funds; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of USTA Foundation; (7) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment funds, giving due consideration to the effect that such alternatives may have on the institution; and (8) USTA Foundation's investment policies.

The donor-restricted assets are invested in a manner that is intended to produce results that exceed the price and yield results of the Triple A rated short-term money market instruments while assuming a minimum level of investment risk. USTA Foundation appropriates the actual interest income return from the donor-restricted asset and may supplement non-restricted funds for specific scholarship grants. There are no net assets without donor restrictions associated with the donor-restricted funds.

Endowment net assets composition by type are as follows:

Year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount required to be maintained in perpetuity	$ -	$ 299	$ 299
Accumulated investment gain	-	2	2
Total	$ -	$ 301	$ 301

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(dollars in thousands)

Below are the changes in endowment net assets:

Year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, beginning of year	$ -	$ 268	$ 268
Net investment loss	-	42	42
Appropriation of endowment assets for expenditures	-	(9)	(9)
Endowment Net Assets, end of year	$ -	$ 301	$ 301

19. Subsequent Events

The Organization has evaluated subsequent events through March 29, 2024, 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.