United States Tennis Association Incorporated and Affiliates

Consolidated Financial Statements
Years Ended December 31, 2012 and 2011

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Independent Auditor's Report

Board of Directors
United States Tennis Association Incorporated
White Plains, NY

We have audited the accompanying consolidated financial statements of United States Tennis Association Incorporated and Affiliates, which are comprised of the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of changes in net assets, of revenues, expenses and changes in net assets, and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United States Tennis Association Incorporated and Affiliates as of December 31, 2012 and 2011, and the changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

March 19, 2013

United States Tennis Association Incorporated and Affiliates

Consolidated Balance Sheets
(dollars in thousands)

December 31,	**2012**	2011
Assets		
Current:		
Cash and cash equivalents (Note 3)	**$ 60,206**	$ 54,680
Investments (Note 3)	**123,093**	109,463
Accounts receivable, net of allowance for doubtful accounts	**9,028**	9,929
Other current assets	**2,862**	3,450
Total Current Assets	**195,189**	177,522
Restricted Cash on Deposit	**504**	731
Long-term Investments (Note 3)	**6,383**	4,053
Property, Building and Equipment, Net (Note 5)	**267,455**	276,904
Deferred Bond Finance Costs, Net of Accumulated Amortization of $7,228 and $6,605 in 2012 and 2011, Respectively (Note 7)	**2,719**	3,342
Intangible Asset (Note 8)	**12,659**	12,659
Other Assets	**4,512**	4,532
Total Assets	**$489,421**	$479,743
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 31,517**	$ 30,982
Accrued interest payable	**478**	553
Deferred income	**22,920**	17,856
Deferred lease incentive/rent (Note 11)	**4,945**	5,068
Current portion of bonds payable (Note 7)	**15,858**	15,187
Total Current Liabilities	**75,718**	69,646
Bonds Payable, Less Current Portion (Note 7)	**66,213**	82,484
Deferred Income, Less Current Portion	**14,628**	17,211
Other Liabilities (Notes 3, 5 and 7)	**4,200**	4,866
Total Liabilities	**160,759**	174,207
Commitments and Contingencies (Notes 3, 7 and 11)		
Net Assets:		
Unrestricted net assets of controlling interest:		
General	**201,887**	181,251
Board designated for:		
Ongoing operations	**120,000**	120,000
Arthur Ashe Stadium improvements	**3,000**	1,000
Noncontrolling interest in consolidated subsidiary (Note 8)	**3,775**	3,285
Total Net Assets	**328,662**	305,536
Total Liabilities and Net Assets	**$489,421**	$479,743

See accompanying notes to consolidated financial statements.

United States Tennis Association Incorporated and Affiliates

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

Years ended December 31, 2012 and 2011

	Controlling Interest				
	General	Board Designated	Total	Noncontrolling Interest	Total
Net Assets as of January 1, 2011	$173,203	$120,000	$293,203	$2,720	**$295,923**
Income attributable to controlling interest	8,048	1,000	9,048	-	**9,048***(a)*
Income attributable to noncontrolling interest	-	-	-	565	**565***(a)*
Net Assets as of December 31, 2011	181,251	121,000	302,251	3,285	**305,536**
Income attributable to controlling interest	20,636	2,000	22,636	-	**22,636(b)**
Income attributable to noncontrolling interest	-	-	-	490	**490(b)**
Net Assets as of December 31, 2012	**$201,887**	**$123,000**	**$324,887**	**$3,775**	**$328,662**

(a) Portion of $9,613 representing increase in consolidated net assets, including noncontrolling interest.

(b) Portion of $23,126 representing increase in consolidated net assets, including noncontrolling interest.

See accompanying notes to consolidated financial statements.

United States Tennis Association Incorporated and Affiliates

Consolidated Statements of Revenues, Expenses and Changes in Net Assets (dollars in thousands)

Years ended December 31,	**2012**	2011
Operating Revenues:		
US Open	**$233,021**	$226,006
USA team events	**1,201**	4,741
Tour events (Note 8)	**22,435**	22,542
Membership	**20,955**	21,002
Advanced media	**4,168**	3,726
NTC tennis facility programs (other than US Open)	**4,267**	3,658
Community tennis sponsorships	**2,809**	2,990
Investment return reported in operations (Note 4)	**6,500**	5,900
Barter received	**6,681**	5,735
Other	**699**	432
Total Operating Revenues	**302,736**	296,732
Operating Expenses:		
US Open:		
Direct expenses	**74,180**	68,548
Depreciation and bond interest expense	**25,699**	25,208
USA team events	**4,356**	4,632
Tour events (including depreciation) (Note 8)	**20,725**	19,857
Membership	**11,240**	11,798
Advanced media	**3,618**	2,975
NTC tennis facility programs (including depreciation and bond interest)	**11,747**	11,904
Community tennis:		
Grants to regional associations	**43,912**	42,956
Other community tennis programs	**37,250**	35,776
Player development	**16,401**	16,533
Pro circuit and officials	**6,870**	6,767
Barter used	**6,681**	5,735
Other program services	**5,987**	6,179
Total Program Services	**268,666**	258,868
Administrative and supporting services (including depreciation and taxes)	**20,951**	19,440
Total Operating Expenses	**289,617**	278,308
Excess of Operating Revenues Over Operating Expenses	**13,119**	18,424
Nonoperating Other Income (Loss) and Deductions:		
Investment portfolio return (Note 4)	**16,515**	(3,083)
Investment return reported in operations (Note 4)	**(6,500)**	(5,900)
Investment Return, Net of Amounts Reported in Operations	**10,015**	(8,983)
Unrealized loss on interest rate swap (Note 3 and 7)	**(60)**	(876)
Net gain on sales of investments in tennis tournaments (Note 8)	**-**	1,382
Impairment loss from tennis investment	**-**	(125)
Equity in gain (loss) of unconsolidated investees (Note 8)	**52**	(209)
Total Nonoperating Other Income (Loss) and Deductions	**10,007**	(8,811)
Changes in Net Assets	**$ 23,126**	$ 9,613

See accompanying notes to consolidated financial statements.

United States Tennis Association Incorporated and Affiliates

Consolidated Statements of Cash Flows
(dollars in thousands)

Years ended December 31,	**2012**	2011
Cash Flows From Operating Activities:		
Change in net assets	**$ 23,126**	$ 9,613
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization (Note 5)	**29,726**	28,475
Amortization of deferred bond issuance costs	**623**	717
Amortization of bond discount and premium, net	**(555)**	(724)
Gain on sale of securities, net	**(2,291)**	(4,107)
Unrealized (gain) loss on investments, net	**(12,067)**	8,377
Unrealized loss on interest rate swap (Note 3 and 7)	**60**	876
Net gain on sales of investments in tennis tournaments (Note 8)	**-**	(1,382)
Impairment loss from tennis investment	**-**	125
Loss on disposal of property, building and equipment	**199**	-
Undistributed equity in (earnings) losses of investees, net (Note 8)	**(44)**	209
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	**901**	(4,319)
Decrease in other assets	**652**	308
Decrease in accounts payable, accrued expenses and other liabilities	**(1,920)**	(4,246)
Increase in deferred income	**2,358**	164
Net Cash Provided By Operating Activities	**40,768**	34,086
Cash Flows From Investing Activities:		
Property, building and equipment, net	**(18,822)**	(25,248)
Decrease in restricted cash on deposit	**227**	309
Additional investment in unconsolidated investees	**-**	(334)
Purchase of investments	**(20,970)**	(26,658)
Proceeds from sales of investments	**19,368**	31,351
Net Cash Used In Investing Activities	**(20,197)**	(20,580)
Cash Flows From Financing Activities:		
Scheduled payment of bonds payable	**(15,045)**	(14,355)
Net Increase (Decrease) in Cash and Cash Equivalents	**5,526**	(849)
Cash and Cash Equivalents at Beginning of Year	**54,680**	55,529
Cash and Cash Equivalents at End of Year	**$ 60,206**	$ 54,680
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	**$ 4,557**	$ 5,246
Taxes	**37**	196
Supplemental Disclosure of Noncash Financing and Investing Activities:		
Property, building and equipment purchased through accounts payable/accrued expenses and other liabilities, including an installment purchase agreement in 2011 (Note 5)	**$ 2,645**	$ 4,183

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"), US Open Series, LLC ("USOS"), Cincinnati Tennis LLC, and USTA Player Development Incorporated ("PD"). 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. Management of the Organization makes estimates and judgments in preparing financial statements in accordance with such accounting principles. Those estimates and judgments affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The significant estimates used by management include the useful lives of depreciable fixed assets, allowances for doubtful accounts receivable, the valuation of alternative investments and certain accrued liabilities, including deferred income. Actual results may vary from the reported results.

Operations

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

(a) promote the development and growth of tennis as a means of healthful recreation and physical fitness;

(b) sponsor and operate the United States Open Tennis Championship ("US Open"), the pre-eminent international tennis competition in the United States, open to male and female professional and amateur tennis players;

(c) establish and maintain rules of play and high standards of conduct and good sportsmanship;

(d) foster national and international tennis tournaments and competitions;

(e) 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; and

(f) generally encourage through tennis the development of health, character, and responsible citizenship.

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

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

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

(a) 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 one other) as well as indoor and outdoor courts. These facilities and the land on which they are situated are leased from the City of New York;

(b) provide a venue for the holding of the US Open;

(c) foster national and international sports competitions;

(d) establish, administer and promote programs devoted to the development of tennis as a means of healthful recreation and physical fitness; and

(e) 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.

NTC is exempt from federal income tax under Section 501(c)(3) of the Code.

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

(a) 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;

(b) 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; and

(c) provide assistance to individuals through the making of grants to support the charitable programs that PD conducts.

PD is exempt from federal income tax under Section 501(c)(3) of the Code.

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. Such company has contributed to increased viewership and visibility, helping grow the sport of tennis. 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.

Cincinnati Tennis LLC was organized to operate the Western and Southern Financial Group Masters' tournaments. In March 2009, Cincinnati Tennis LLC acquired TCI Ventures LLC to obtain the ATP World Tour Sanction for the Masters' Tournament. Cincinnati Tennis LLC leases the women's sanction from Octagon, Inc. USTA owns an 80% interest in Cincinnati Tennis LLC. The remaining 20%, which is owned by former members of TCI Ventures, LLC and by Octagon, Inc., is reported as a noncontrolling interest in the accompanying consolidated financial statements. Taxable income and related taxes of Cincinnati Tennis LLC, if any, are the responsibility of each of its members.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Organization considers investments with financial institutions and security brokers, other than those that are restricted as to use, with maturities of less than 90 days when purchased to be cash equivalents. Cash and cash equivalents may, at times, exceed federally-insured limits.

Restricted Cash on Deposit

NTC has restricted cash on deposit with two major financial institutions acting as trustees for the bondholders in the amount of $504 at December 31, 2012 and $731 at December 31, 2011.

Allowance for Doubtful Accounts

The Organization fully provides an allowance for doubtful accounts for accounts receivable specifically identified by management for which collectability is uncertain. For 2012 and 2011, the allowance for doubtful accounts was $12 and $14, respectively.

Fair Value Measurements

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures," 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 inputs 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 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 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. Examples include publicly-traded equity securities and publicly-traded mutual funds that are actively traded on a major exchange or over-the-counter market.

Notes to Consolidated Financial Statements (dollars in thousands)

Level 2 – Valuation 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, such as municipal bonds. The fair value of municipal bonds 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 based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments.

Interest Rate Exchange Agreement

Concurrent with the issuance and sale of the Series 2009 Bonds and in order to manage exposure to interest rate fluctuations, NTC entered into an interest rate exchange agreement ("Swap") with a major financial institution as further described in Note 3 and Note 7. The Swap is valued separately from its underlying debt and is accounted for using a "mark-to-market" basis. As market interest rates change over time, existing fixed rate swaps become more or less valuable than at inception, resulting in a current market value which includes either an unrealized gain or loss.

The fair value of the Swap is estimated using Level 2 inputs, which are based on model derived valuations in which all significant inputs and significant value drivers are observable in active markets. The estimated market value of the Swap at December 31, 2012 and 2011 was computed by the counterparty and includes adjustments to reflect counterparty credit risk and NTC's non-performance credit risk in estimating the fair value, in accordance with ASC 820.

Property, Building and Equipment

Property, building and equipment is 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 estimated useful lives of the assets are as follows:

	Life (Years)
Building and improvements	10-30
Furniture and fixtures	5-10
Machinery and equipment	5-10
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.

In accordance with ASC 350, "Intangibles – Goodwill and Other," 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. It is amortized over its estimated useful life, generally three to five years.

Deferred Bond Finance Costs

Deferred bond finance costs are primarily amortized over the life of each bond issue using the effective interest rate method.

Concentrations

The Organization generated more than 76% of its revenues from the US Open. These revenues arise from various sources, including broadcast rights, ticket sales, sponsorships and licensing.

Revenue Recognition

Revenue from events (US Open, Pro Tournaments, including those operated by Cincinnati Tennis LLC and others as part of the US Open Series), including revenue from broadcasting, ticketing, and sponsorship, is recognized when the event occurs. Certain broadcast revenues are derived from multi-year contracts that include both variable and fixed components. Where appropriate, the fixed components of contracted revenues are recognized on a straight-line basis over the term of the agreement. Cash collected in advance of an event is recorded as deferred income. Fees received in advance for memberships and the use of tennis facilities are recognized as revenue in the periods in which the fees are earned. Life membership fees are recognized over a period of 30 years.

Ticket Revenues

Ticket revenues are principally sourced from the US Open and the Western and Southern Financial Group Masters Tournament, net of admissions taxes, and amounted to $103,418 and $92,501 for the years ended December 31, 2012 and 2011, respectively. They are derived from a wide range of individuals and corporations.

Broadcasting Revenues

Broadcasting revenues are earned through more than ten exclusive television rights agreements with domestic and international broadcasters, most of which are multi-year contracts extending through December 31, 2014. The aggregate gross revenues derived from such agreements for the years ended December 31, 2012 and 2011 were $63,473 and $65,343, respectively. Such agreements are subject to termination and renewal clauses. Pursuant to the Organization's policy of accounting for transactions with multiple elements described elsewhere herein, a portion of the aggregate gross revenues derived from television rights agreements specified above has been allocated to ticket revenue. Accordingly, for financial reporting and disclosure purposes, $2,043 in 2012 and $1,866 in 2011 of the aggregate broadcasting revenues specified above have, instead, been included in the amounts reported under the caption "Ticket Revenues" elsewhere in Note 1.

Sponsorship Revenues

Sponsorship revenues are derived from over 35 sponsorship agreements with counterparties. Most of these sponsorships are multi-year contracts extending through December 31, 2015. The contracts involve various forms of sponsorship for the US Open, Western and Southern Financial Group Masters tournaments, US Open Series and Arthur Ashe Kids Day. The gross aggregate revenues from such agreements for the years ended December 31, 2012 and 2011 were $85,287 and $84,725, 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, $12,248 in 2012 and $11,358 in 2011 of the aggregate sponsorship revenues specified above have, instead, been included in the amounts reported under the caption "Ticket Revenues" elsewhere in Note 1.

Transactions With Multiple Elements

The Organization has occasion to enter into certain revenue transactions, such as the sale of broadcasting rights, sponsorships and tickets, 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, to 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.

The Organization enters into barter transactions that involve the exchange of broadcast and sponsorship rights for cash and various other products and services (such as advertising). The Organization was able to approximate the fair value of certain measurable noncash elements and has reported barter received and barter used totaling $6,681 and $5,735 for the years ended December 31, 2012 and 2011, respectively, in the consolidated statements of revenues, expenses and changes in net assets. In addition, barter of $35 and $335 is included in the US Open revenues and in various operating expenses for each of the years ended December 31, 2012 and 2011, respectively. The values are based on the estimated fair market value or the estimated amounts that it would cost the Organization to independently procure such products and services.

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.

Income Taxes

USTA, NTC, USOS and PD are not-for-profit organizations that are exempt from income taxes under the Code except for immaterial amounts of income considered by the Internal Revenue Service ("IRS") to be unrelated business taxable income, for which income taxes have been provided. The Organization has filed all applicable returns when required. USTA's share of income taxes for Cincinnati Tennis LLC has been provided pursuant to the operating agreement with the other members of Cincinnati Tennis LLC. For the years ended December 31, 2012 and 2011, 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 under ASC 740, "Income Taxes."

Advertising Costs

The Organization expenses advertising costs as they are incurred. The Organization recognized advertising expense of $8,381 and $7,363 for the years ended December 31, 2012 and 2011, respectively, in the accompanying consolidated statements of revenues, expenses and changes in net assets. These are advertising expenses for the US Open, US Open Series, Western and Southern Financial Group Masters tournaments and Community Tennis programs.

In addition to the above, the Organization received barter advertising with an estimated fair market value to USTA of $4,035 and $3,100 for the years ended December 31, 2012 and 2011, respectively. Such amounts are included in barter received and barter used referred to earlier for each year in the consolidated statements of revenues, expenses and changes in net assets.

Contributed Services

The Board of Directors and many other volunteers have contributed services involving significant amounts of time to the Organization. These consolidated financial statements do not reflect a provision for contributed services; such services do not meet the requirements for recognition as stated in ASC 958, "Not-for-Profit Entities." There is no objective basis to determine the value of such contributed services.

Net Assets Designated for Specific Purposes by Board of Directors

The Board of Directors designates a portion of general unrestricted net assets for specific purposes. Funds designated by the Board of Directors for ongoing operations of $120,000 are to fund a portion of the Organization's following year's operating expenses, fund the following year's bond principal and interest payments, allow for market fluctuations in the long-term investment portfolio, and provide grants to regional associations for one year in the event that the US Open fails to provide adequate funds to meet those needs. As part of long-range planning, the Board of Directors has also designated a portion of the general unrestricted net assets for future improvements to Arthur Ashe Stadium. Such designation totaled $3,000 at December 31, 2012.

Indefinite Lived Intangible Asset

The indefinite lived intangible asset of the Organization is tested annually for impairment in accordance with ASC 350, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of the indefinite lived intangible asset with its carrying amount. If the carrying amount of the indefinite lived intangible asset exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess. Management is evaluating the guidance in Accounting Standards Update ("ASU") 2012-02, "Intangibles—Goodwill and Other", which is effective for fiscal years beginning after September 15, 2012 and expects no material impact on the consolidated financial statements.

Noncontrolling Interest

In accordance with ASC 810, "Consolidation", the Organization reports noncontrolling interest, sometimes referred to as minority interest, as part of total net assets in the consolidated balance sheets. Furthermore, the Organization reports the changes in net assets of both the controlling and noncontrolling 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.

3. 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. Each of the above investments can be liquidated daily. 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 are not actively traded, their valuation is based on Level 2 inputs within the hierarchy used in measuring fair value.

Notes to Consolidated Financial Statements (dollars in thousands)

Alternative investments are those made in limited partnerships, offshore limited liability companies and private equity concerns, all of which are valued based on Level 3 inputs within the investment hierarchy used in measuring fair value. Given the absence of market quotations, their fair value is estimated using information provided to the Organization by the investment managers or general partners. The values are based on estimates that require varying degrees of judgment and, for fund of funds investments, are primarily based on financial data supplied by the investment managers of the underlying funds. Individual investment holdings within the alternative investments may include investments in both nonmarketable and market-traded securities. Nonmarketable securities may include equity in private companies, real estate, thinly-traded securities, and other investment vehicles. The investments may indirectly expose the Organization to the effects of securities lending, short sales of securities, and trading in futures and forward contracts, options, swap contracts, and other derivative products. While these financial instruments entail varying degrees of risk, the Organization's exposure with respect to each such investment is limited to its carrying amount (fair value as described above) in each investment plus the Organization's commitment to provide additional funding as described in the following paragraph. The financial statements of the investees are audited annually by nationally recognized firms of independent auditors. USTA does not directly invest in the underlying securities of the investment funds and due to restrictions on transferability and timing of withdrawals from the limited partnerships, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

Certain alternative investments, which include private equity investments, have rolling lockups ranging from one to three years. In addition, the carrying values of private equity investments do not include future funding commitments of $9,370 to be paid by USTA as future investment opportunities become available. Each of these investments is reported within "Long-term investments" in the noncurrent assets section of the consolidated balance sheets.

The following tables identify assets measured at fair value on a recurring basis as of December 31, 2012 and 2011:

	Fair Value Measurement at Reporting Date Using				
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Fair Value as of December 31, 2012	Cost as of December 31, 2012
Cash and cash equivalents	**$ 60,206**	**$ -**	**$ -**	**$ 60,206**	**$ 60,206**
Stocks	**30,915**	**-**	**-**	**30,915**	**26,153**
Publicly-traded mutual funds	**30,950**	**-**	**-**	**30,950**	**28,667**
Common/collective trusts and private mutual funds	**-**	**33,324**	**-**	**33,324**	**25,488**
Alternative investments and private equity	**-**	**-**	**34,287**	**34,287**	**26,464**
Total	**$122,071**	**$33,324**	**$34,287**	**$189,682**	**$166,978**
	64%	**18%**	**18%**	**100%**	

Notes to Consolidated Financial Statements (dollars in thousands)

Description	Fair Value Measurement at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Fair Value as of December 31, 2011	Cost as of December 31, 2011
Cash and cash equivalents	$ 54,680	$ -	$ -	$ 54,680	$ 54,680
Stocks	28,240	-	-	28,240	25,295
Publicly-traded mutual funds	26,704	-	-	26,704	26,448
Common/collective trusts and private mutual funds	-	28,808	-	28,808	24,511
Alternative investments and private equity	-	-	29,764	29,764	25,099
Total	$109,624	$28,808	$29,764	$168,196	$156,033
	65%	17%	18%	100%	

The components of total assets carried at fair value as of December 31, 2012 and 2011 are classified in the consolidated balance sheets as follows:

December 31,	**2012**	2011
Cash and cash equivalents	**$ 60,206**	$ 54,680
Investments (included in current assets)	**123,093**	109,463
Long-term investments (exclusively private equities)	**6,383**	4,053
	$189,682	$168,196

The following tables set forth changes in the assets measured at fair value using Level 3 inputs on a recurring basis for the years ended December 31, 2012 and 2011:

Description	Balance at December 31, 2011	Purchases	Sales	Realized Gain	Unrealized Gain	Balance at December 31, 2012
Alternative investments	**$25,711**	**$ 20**	**$ (960)**	**$367**	**$2,766**	**$27,904**
Private equity	**4,053**	**2,057**	**(152)**	**-**	**425**	**6,383**
Total	**$29,764**	**$2,077**	**$(1,112)**	**$367**	**$3,191**	**$34,287**

Description	Balance at December 31, 2010	Purchases	Sales	Realized Gain	Unrealized (Loss) Gain	Balance at December 31, 2011
Alternative investments	$29,402	$ 625	$(4,855)	$2,239	$(1,700)	$25,711
Private equity	1,772	2,313	(53)	9	12	4,053
Total	$31,174	$2,938	$(4,908)	$2,248	$(1,688)	$29,764

Notes to Consolidated Financial Statements (dollars in thousands)

Investments for which fair value is estimated using reported net asset values ("NAV"), or the equivalent, are summarized as follows as of December 31, 2012:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common/collective trusts and private mutual funds:				
Fixed income	**$11,007**	**$ -**	Daily	10 days
Fixed income	**2,096**	**-**	Monthly	60 days
Global ex-U.S. equity	**14,662**	**-**	Monthly	15 days
Emerging markets	**5,559**	**-**	Monthly	30 days
	$33,324	**$ -**		
Alternative investments:				
Absolute return	**$ 8,544**	**$ -**	Semiannually	60-65 days
Hedge fund	**18,931**	**-**	Annually	30-90 days
Inflation hedges	**429**	**-**	*(a)*	*(a)*
Private equity	**6,383**	**8,550**	*(b)*	*(b)*
Total	**$34,287**	**$8,550**		

(a) Inflation hedges reflect side pockets; distributions require liquidation of underlying assets which is in progress and expected to be completed in the next 12 months.

(b) Redemption not permitted; distributions require liquidation of underlying assets.

As discussed in Note 7, concurrent with the issuance and sale of the Series 2009 Bonds and in order to manage exposure to interest rate fluctuations, NTC entered into an interest rate Swap. The fair value of the Swap is estimated using Level 2 inputs, which are based on model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. The Organization considers the counterparty credit risk and bilateral or "own" credit risk adjustments in estimating fair value in accordance with ASC 820. Included in other liabilities in the consolidated balance sheets are $1,343 and $1,283 representing the fair value of the exit price of the Swap at December 31, 2012 and 2011, respectively.

The following are certain Swap attributes as of December 31, 2012:

Effective date	December 22, 2009
Maturity date	November 15, 2024
Notional amount*	$9,080
Fixed rate	3.7%
Floating rate	One month LIBOR

* Decreases annually in accordance with the schedule of sinking fund payments toward the repayment of principal of the Series 2009 Bonds on which the notional amount is based. At December 31, 2009, the notional amount was $10,600, which was reduced by $545 and $520 in 2012 and 2011, respectively, and by $455 in prior years.

(dollars in thousands)

4. Investment Return Presentation

USTA has reported a portion of the return on the investment portfolio as funding for operating expenditures. This amount is not to exceed 5% of the average market value of the last twelve 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 revenues, expenses and changes in net assets as "Investment Return Reported in Operations," a separate line item within operating revenue. It amounted to $6,500 and $5,900 for the years ended December 31, 2012 and 2011, respectively. A corresponding deduction is presented within "Nonoperating Other Income (Loss) and Deductions" in order to reflect the amounts reported in operations. Actual cash deposits or withdrawals from the investment portfolio can vary each year depending on business needs.

In 2012 the Organization's actual investment return was a gain of 12.5% and in 2011 was a loss of 3.7%. The Organization expenses investment management and advisory fees as they are incurred. The Organization incurred fees of $810 and $800 for the years ended December 31, 2012 and 2011, respectively, reporting them as a reduction of investment return in the accompanying consolidated statements of revenues, expenses and changes in net assets.

The following schedule summarizes the investment portfolio return (before appropriation to operations) for the years ended December 31, 2012 and 2011:

Years ended December 31,	**2012**	2011
Dividend income	**$ 2,262**	$ 1,117
Interest income (net of interest expense, excluding bond interest, and investment fees)	**(105)**	70
Realized gain, net	**2,291**	4,107
Change in unrealized gain (loss), net	**12,067**	(8,377)
	$16,515	$(3,083)

At December 31, 2012 and 2011, the Organization accounted for all investments which were in an unrealized loss position as temporarily impaired. Such determination was based on the ability and intent of the Organization to retain the investment for sufficient time to allow an anticipated recovery in value given the absence of specific adverse events related to the issuer of the investments.

For each investment category, the tables below summarize the nature and extent of investments that were in an unrealized loss position as of December 31, 2012 and 2011:

December 31, 2012

	Less Than 12 Months		12 Months or More		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Mutual funds	**$ 2,466**	**$ (680)**	**$ 819**	**$ (241)**	**$ 3,285**	**$ (921)**
Common/collective trusts and private mutual funds	**6,056**	**(709)**	**5,304**	**(1,282)**	**11,360**	**(1,991)**
Alternative investments	**3,083**	**(409)**	**2,696**	**(376)**	**5,779**	**(785)**
Total	**$11,605**	**$(1,798)**	**$8,819**	**$(1,899)**	**$20,424**	**$(3,697)**

(dollars in thousands)

December 31, 2011

	Less Than 12 Months		12 Months or More		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Common stock	$14,099	$ (475)	$ -	$ -	$14,099	$ (475)
Mutual funds	819	(241)	11,286	(204)	12,105	(445)
Common/collective trusts and private mutual funds	9,546	(1,606)	-	-	9,546	(1,606)
Alternative investments	4,990	(341)	367	(41)	5,357	(382)
Total	$29,454	$(2,663)	$11,653	$(245)	$41,107	$(2,908)

5. Property, Building and Equipment

Property, building and equipment consist of the following:

December 31,	**2012**	2011
Land, building and improvements	**$ 11,767**	$ 11,763
Leasehold improvements	**505,959**	496,271
Machinery and equipment	**51,244**	49,721
Computer hardware and software	**31,523**	28,625
Furniture and fixtures	**30,436**	28,110
Construction-in-progress	**3,728**	1,655
	634,657	616,145
Less: Accumulated depreciation and amortization	**(367,202)**	(339,241)
Net property, building and equipment	**$ 267,455**	$ 276,904

Depreciation and amortization expense was $29,726 and $28,475 for the years ended December 31, 2012 and 2011, respectively.

As of December 31, 2012 and 2011, $20,558 and $19,130, respectively, of computer software costs have been capitalized. Accumulated amortization for such software costs is $17,579 and $16,068 as of December 31, 2012 and 2011, respectively.

Construction-in-progress includes various site-wide improvements at the USTA Billie Jean King National Tennis Center, including preliminary design and engineering costs associated with the strategic vision. The strategic vision includes a series of interconnected construction projects that include building developments (e.g., replacement stadia), infrastructure upgrades (e.g., enhanced spectator viewing areas) and improvements to site circulation. Engineering and architectural studies are in progress. Accordingly, the estimated costs to complete such projects have yet to be determined.

Installment Purchase

During 2011 the Organization entered into an installment purchase agreement (“agreement”) for certain video display equipment. The value of the equipment purchased was $5,880 and payments are due annually through 2015. The current amount due within one year of $798 is included in accounts payable and accrued expenses, and the remaining balance of $894 is included in other long-term liabilities.

(dollars in thousands)

6. Line of Credit

USTA has an unsecured line of credit with a financial institution in the amount of $25,000 that expired on August 31, 2012, and was renewed for a one-year term at a nominal fee. The Organization has several different borrowing options when utilizing this line, including London Interbank Offered Rate ("LIBOR"), money market and prime rates. The Organization did not utilize the line of credit in 2012 or 2011 and, therefore, did not incur any related interest expense.

7. Bond Financing

At December 31, 2012 and 2011, long-term bonds payable consisted of:

December 31,	**2012**	2011
Series 2003A tax-exempt serial bonds maturing November 15 each year through 2023, bearing interest rates from 3.25% to 5.0% (effective rates from 3.51% to 4.45%), net of unamortized original issue premium for 2012 and 2011 of $24 and $87, respectively, and discount for 2012 and 2011 of $109 and $128, respectively.	**$ 19,455**	$ 20,899
Series 2003B federally taxable serial bond maturing November 15, 2013, bearing interest rate of 4.46%.	**885**	1,735
Series 2003B federally taxable term bond maturing November 15, 2023[(a)], bearing interest at 5.38%.	**11,810**	11,810
Series 2004 tax-exempt serial bonds maturing November 15 each year through 2014, bearing interest at rates from 3.38% to 5% (effective rates from 3.61% to 3.71%), net of unamortized original issue premium for 2012 and 2011 of $314 and $668, respectively, and discount for 2012 and 2011 of $5 and $14, respectively.	**24,284**	35,810
Series 2007 tax-exempt serial bonds maturing November 15 each year through 2023, bearing interest at 5% (effective rates from 3.40% to 4.24%), net of unamortized original issue premium for 2012 and 2011 of $586 and $752, respectively.	**16,557**	17,792
Series 2009 federally taxable term bonds maturing November 15, 2024[(b)], bearing interest synthetically fixed at 3.70%.	**9,080**	9,625
	82,071	97,671
Less: Current portion of long-term bonds payable	**(15,858)**	(15,187)
Bonds payable, long-term	**$ 66,213**	$ 82,484

[(a)] Mandatory sinking fund installments required annually beginning in 2014 through maturity.

[(b)] Mandatory sinking fund installments required annually through maturity with the option to apply each installment to the redemption and cancellation of an equivalent amount of principal as was exercised in each year since issuance.

(dollars in thousands)

Payment of principal and interest for each series of bonds ranks pari passu with the others.

Based upon the borrowing rates currently available to the Organization, the fair value of all long-term bonds payable at December 31, 2012 was $85,688. At December 31, 2011, the fair value of such bonds was $102,528. Such fair values are based on Level 2 inputs.

The following table sets forth the scheduled annual principal and interest payments to be made on long-term debt (hereafter, the "Bonds") during each of the next five years and all years thereafter. The Series 2003B Bonds include mandatory sinking fund installments in the years 2014 to 2023 and the Series 2009 Bonds include mandatory sinking fund installments in all years presented:

Year ending December 31,	Principal Payments	Interest Payments
2013	$15,745	$ 3,756
2014	16,455	3,051
2015	4,390	2,297
2016	4,590	2,104
2017	4,800	1,902
2018-2024	35,280	6,123
	$81,260	$19,233

With the exception of the Series 2009 Bonds, which were issued by NTC, all of the Bonds outstanding were issued and sold by the New York City Industrial Development Agency (hereafter, the "IDA" or "Agency"). The proceeds from the Bonds were used by NTC to finance various capital projects at the NTC Facility. Pursuant to the indentures of trust for the Bonds, payment of principal and interest to the bondholders is solely the obligation of NTC and USTA; the IDA is not obligated for the repayment of any Bonds.

The indentures of trust have substantially the same provisions for each series of Bonds outstanding, 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 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 up to annual amounts specified in the bond indentures and other bond documents with the trustees 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 trustees in amounts based on formulae in the bond documents which are refunded to USTA once NTC meets its annual debt service and operating expense funding obligations with the trustees. The indentures of trust for each series of Bonds outstanding requires NTC to deposit into a Debt Service Reserve Fund qualified investments or, in lieu thereof, a Reserve Fund Insurance Policy or a Reserve Fund Letter of Credit, or a combination thereof, in order to satisfy the Debt Service Reserve Requirement described in such indentures.

The Debt Service Reserve Requirement is currently equal to 50% of the maximum annual debt service on all outstanding Bonds. At December 31, 2012 and 2011, such requirement approximated $9,300 for the IDA Bonds outstanding, all of which was satisfied with a Reserve Fund Insurance Policy. For the Series 2009 Bonds, NTC has on deposit approximately $454 to satisfy the Debt Service Reserve Requirement for such Bonds.

Notes to Consolidated Financial Statements (dollars in thousands)

The following table provides information as of the date of issuance of the Series 2003, 2004, 2007 and 2009 Bonds:

	Series 2003	Series 2004	Series 2007	Series 2009
Date of issue	May 15, 2003	August 17, 2004	December 19, 2007	December 18, 2009
Principal amount (excludes original issue premium and/or discount)	$50,000	$101,215	$20,810	$10,600
Net proceeds deposited with trustee	49,909	106,753	22,039	10,497

The Series 2003 Bonds are composed of two issues, tax-exempt bonds, Series 2003A, in the par amount of $30,645, and federally taxable bonds, Series 2003B, in the par amount of $19,355. The Series 2003A Bonds due on or after November 15, 2013 are subject to redemption at par value prior to maturity on or after May 15, 2013, at the option of NTC. The Series 2003B Bonds are subject to redemption prior to maturity on any date at the option of NTC at par value, plus a "Make-Whole Premium" calculated in accordance with the issue provisions.

The Series 2004 Bonds are not subject to optional redemption prior to their scheduled maturities. These Bonds were issued to refund the Series 1994 Bonds maturing after November 15, 2004.

The Series 2007 Bonds due on or after November 15, 2018 are subject to redemption at par prior to maturity on or after May 15, 2017, at the option of NTC.

The original issue premium/discount on the Series 2003A, 2004 and 2007 Bonds is being amortized over the respective lives of the issues by the effective interest rate method. The Series 2003B Bonds and Series 2009 Bonds were issued and sold at their par or aggregate principal amounts; there was no original issue premium or discount.

The Series 2009 Bonds are variable rate taxable obligations of NTC. During 2012 the interest rate ranged from a low of .11% to a high of .25%, with the rate being .20% at December 31, 2012. They have been issued bearing interest at a weekly rate which approximates the equivalent of one-month LIBOR and are subject to redemption prior to maturity. Payment of principal and interest on the Series 2009 Bonds was initially secured by a three year irrevocable direct-pay letter of credit issued by a major financial institution (the "Bank") which has been extended in 2012 and is subject to renewal in 2015. Concurrent with the issuance and sale of the Series 2009 Bonds and in order to manage exposure to interest rate fluctuations, NTC entered into a variable–to-fixed rate Swap with the Bank to, in effect, exchange payments with the Bank whereby NTC pays 3.70% to the Bank and receives a variable rate from the Bank for the life of the Bonds. The Swap can be terminated before the maturity date with a termination payment to or from the counterparty based on the market value at the time of termination. For the years ended December 31, 2012 and 2011, the change in market value of the Swap versus its market value at the immediately preceding year-end measurement date resulted in unrealized losses of $60 and $876, respectively, which are included in the accompanying consolidated statements of revenues, expenses and changes in net assets.

Costs of issuing each series of Bonds have been deferred and are being amortized over the life of each series. The amount of issuance costs amortized in 2012 and 2011 was $623 and $717, respectively. Unamortized deferred bond finance costs amounted to $2,719 and $3,342 at December 31, 2012 and 2011, respectively.

8. Tournaments

Cincinnati Tennis LLC

As mentioned in Note 1, in 2009, USTA acquired an 80% controlling interest in Cincinnati Tennis LLC. Cincinnati Tennis LLC holds the ATP Tour, Inc. ("ATP") World Tour Sanction ("Sanction") for the Western and Southern Financial Group Masters' tournaments. The total purchase price, inclusive of payments to the ATP and transfer of an equity interest in Cincinnati Tennis LLC to the former members of TCI Ventures, LLC, including Octagon, Inc., totaled $12,636. Consideration paid included cash of $3,726, a note payable of $6,480, which has since been paid, and an equity interest in Cincinnati Tennis LLC then valued at $2,430.

The Sanction is subject to termination if Cincinnati Tennis LLC fails to follow the ATP's rules and regulations. Based on previous experience, including Cincinnati Tennis LLC's continued compliance with the ATP's rules and regulations, it is expected that the Sanction will be effective indefinitely. Given the Sanction's indefinite life, its carrying value ($12,659) is not being amortized and is evaluated annually for impairment. No impairment was deemed to have occurred in 2012 or 2011 or in years prior.

Operating revenues of $19,879 and $18,961 and operating expenses of $16,761 and $15,563 of Cincinnati Tennis LLC are included in the caption "Tour Events " in each of the sections headed operating revenues and operating expenses, respectively, in the consolidated statements of revenues, expenses and changes in net assets for the years ended December 31, 2012 and 2011.

Atlanta Tennis Championships, LLC

In December 2009, USTA acquired a noncontrolling 25% interest in Atlanta Tennis Championships, LLC for a cash payment of $199. The investment is accounted for using the equity method of accounting and is reported in "Other Assets" in the accompanying consolidated balance sheets. USTA has recorded its share of earnings (losses), $52 in 2012 and ($209) in 2011, in the accompanying consolidated statements of revenues, expenses and changes in net assets. In 2012 Atlanta Tennis Championships, LLC made a distribution of $8, resulting in USTA's investment increasing by $44 in 2012.

Men's Clay Court Championships

USTA owned a membership in an ATP World Tour 250 tournament ("Tour 250"), referred to as the US Men's Clay Court Championships. Prior to selling the Tour 250 tournament membership, USTA operated the tournament under a Tournament Management Agreement which resulted in annual contractual payments to USTA for hosting the event. On May 23, 2011, the Tour 250 tournament membership was sold for $1,500, inclusive of $275 for the 2011 Tournament Management Agreement contractual obligation. USTA's basis in the sanction was $-0- which resulted in a recognized gain of $1,225 from the sale of the sanction. The 2011 contractual obligation of $275 is included under "Operating Revenues" in "Tour Events" and the $1,225 is included under "Nonoperating Other Income (Loss) and Deductions" as a net gain on sales of investments in tennis tournaments in the accompanying consolidated statements of revenues, expenses and changes in net assets.

9. USTA Serves, Foundation for Academics, Character and Excellence

For the years ended December 31, 2012 and 2011, the Organization paid certain operating expenses on behalf of USTA Serves in the amount of $688 and $654, respectively. These expenses are included in the accompanying consolidated statements of revenues, expenses and changes in net assets.

10. 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 $833 and $801 for the years ended December 31, 2012 and 2011, respectively. The Organization also made discretionary contributions to the plan of $958 and $941 for the years ended December 31, 2012 and 2011, respectively.

11. Commitments and Contingencies

New York City Lease

The initial term of NTC's long-term lease with New York City is for twenty-five years from the start of construction of the facility expansion (1994). The lease grants NTC six ten-year renewal options and a final renewal option of up to fourteen years. NTC has committed to renew the lease as long as any of the IDA Bonds or Series 2009 Bonds are outstanding.

During the initial lease term, the lease provides for annual base rent of approximately $400 plus 1% of gross revenues from NTC Facility operations and USTA revenues derived from tennis events conducted at the NTC Facility, including broadcast and sponsorship revenues, in excess of $25,000 for each of the first twenty years and 1% of gross revenues in excess of $20,000 for each year thereafter. In addition, each renewal term includes a 10% increase on the base rent. Rent expense charged to operations for the year ended December 31, 2012 amounted to $2,451 and for the year ended December 31, 2011 amounted to $2,412. The Organization accounts for the lease as an operating lease.

Usage/Lease Agreement for the West Coast Training Center

USTA has entered into a training center lease for 10 years, expiring in 2013, that is classified as an operating lease for accounting and financial reporting purposes. Rent expense was $200 for 2012 and 2011. The lease includes escalation provisions.

Usage/Lease Agreement for the Southeast Training Center

In connection with the relocation of the Southeast training center, USTA entered into a 10 year lease, expiring in 2017, that is classified as an operating lease for accounting and financial reporting purposes. Rent expense for 2012 and 2011 was $1,132 and $1,093, respectively. The lease includes escalation provisions.

Notes to Consolidated Financial Statements (dollars in thousands)

Cincinnati Tournament Stadium and Grounds Lease

In 2009, Cincinnati Tennis LLC entered into a 21-year lease, expiring in 2029, for the stadium and grounds where the Western and Southern Financial Group Masters' tennis tournament is held. The lease is classified as an operating lease for accounting and financial reporting purposes. The lease contains purchase options beginning in 2013 and early termination provisions in 2019 and 2024 subject to repayment of certain debt outstanding on the facilities. Rent expense charged to operations was $974 in 2012 and $870 in 2011 as compared to payments of $1,097 and $959 in 2012 and 2011, respectively. The differences are accounted for in "Deferred lease incentive/rent" in the consolidated balance sheets.

As part of the lease, Cincinnati Tennis LLC and USTA have guaranteed the landlord's debt outstanding on the facilities of the landlord, Tennis For Charity, Inc., a 501(c)(3) company, for which the maximum payable at December 31, 2012 is $9,295.

Under the lease agreement, the landlord provided funds totaling $5,000 for capital improvements at the facility. By December 31, 2010, the entire allowance had been used and recorded under "Property, building and equipment." Such allowance is being amortized over the lease term as a reduction of rent expense. The unamortized balance of such allowance is included in "Deferred lease incentive/rent" in the accompanying consolidated balance sheets.

Minimum operating lease commitments at December 31, 2012 for the above leases are as follows:

Year ending December 31,	Amount
2013	$ 2,904
2014	2,738
2015	2,988
2016	2,931
2017	3,532
2018 and thereafter	25,052
Total	$40,145

Public Facility Funding Grants

USTA issued grant letters in 2012 and 2011 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, 2012, USTA would have recorded a commitment of $844.

US Open Series

Due to the overall success of the US Open Series ("Series"), the Organization made certain minimum sponsorship guarantees to each of the tournaments participating in the 2009 through 2011 Series. The Organization secured sponsorships, a predefined portion of which is distributed to each tournament and applied to the guarantee. The annual guarantee for 2012 through 2014 is $700 which is exceeded by the sponsorship funding that has been contracted for the Series.

Litigation

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

Environmental Liabilities

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

Subsequent Events

Pursuant to ASC 855, as amended, "Subsequent Events," which established general requirements for accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued with respect to companies that file financial statements with the Securities and Exchange Commission or are conduit obligors of publicly-traded securities, the Organization has evaluated subsequent events through March 19, 2013, the date these consolidated financial statements were issued. No modifications to these consolidated financial statements were necessary as a result of the subsequent events evaluation.