United States Tennis Association Incorporated and Affiliates

Consolidated Financial Statements

Years Ended December 31, 2009 and 2008

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Contents

BDO Seidman, LLP
Accountants and Consultants

100 Park Avenue
New York, New York 10017
Telephone: 212-885-8000
Fax: 212-697-1299

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of United States Tennis Association Incorporated and Affiliates (the "Organization") as of December 31, 2009 and 2008, and the related consolidated statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of United States Tennis Association Incorporated and Affiliates as of December 31, 2009 and 2008, and the consolidated changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BDO Seidman, LLP

March 19, 2010

United States Tennis Association Incorporated and Affiliates

Consolidated Balance Sheets (in thousands)

December 31,	**2009**	2008
Assets		
Current:		
Cash and cash equivalents	**$ 39,595**	$ 51,083
Investments (Note 3)	**100,473**	89,551
Accounts receivable, net of allowance for doubtful accounts	**13,860**	3,092
Other current assets	**2,856**	2,371
Total current assets	**156,784**	146,097
Restricted cash on deposit	**14,102**	2,026
Long-term investments (Note 3)	**3,761**	2,816
Property, building and equipment, net (Note 5)	**281,424**	293,608
Deferred bond finance costs, net of accumulated amortization of $5,095 and $4,260 in 2009 and 2008, respectively (Note 7)	**4,852**	5,193
Intangible assets (Note 8)	**13,151**	500
Other assets	**4,182**	6,917
Total assets	**$478,256**	$457,157
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 41,488**	$ 37,849
Accrued interest payable	**666**	720
Deferred income	**10,779**	10,983
Deferred lease incentive/rent (Note 13)	**5,230**	-
Current portion of bonds payable (Note 7)	**13,870**	13,016
Total current liabilities	**72,033**	62,568
Bonds payable, less current portion (Note 7)	**113,495**	117,463
Deferred income, less current portion	**13,150**	15,619
Other liabilities (Notes 5 and 12)	**2,127**	3,105
Total liabilities	**200,805**	198,755
Commitments and contingencies (Notes 3, 7, 9, 12 and 13)		
Unrestricted net assets:		
General	**154,699**	138,402
Board designated for ongoing operations	**120,000**	120,000
Permanently restricted net assets:		
Minority interest in consolidated subsidiary (Note 8)	**2,752**	-
Total net assets	**277,451**	258,402
Total liabilities and net assets	**$478,256**	$457,157

See accompanying notes to consolidated financial statements.

United States Tennis Association Incorporated and Affiliates

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

Year ended December 31,	**2009**	2008
Operating revenues:		
US Open	**$205,552**	$209,980
USA team events	**3,468**	3,038
Tour events (Note 8)	**17,127**	3,743
Membership	**20,148**	20,453
Advanced media	**2,473**	2,816
NTC tennis facility programs (other than US Open)	**3,655**	2,797
Community tennis sponsorships	**3,343**	2,814
Investment return appropriated for operations (Note 4)	**5,744**	7,527
Barter received	**5,302**	3,827
Other	**456**	92
Total operating revenues	**267,268**	257,087
Operating expenses:		
US Open:		
Direct expenses	**61,251**	65,975
Depreciation and interest expense	**26,282**	24,489
USA team events	**4,514**	5,406
Tour events (Note 8)	**16,280**	4,455
Membership	**11,454**	12,035
Advanced media	**2,635**	2,694
NTC tennis facility programs (including depreciation)	**10,317**	8,835
Community tennis:		
Direct Section funding	**40,097**	40,504
Other community tennis programs	**34,439**	35,394
Player development	**14,693**	12,601
Pro circuit and officials	**6,559**	6,794
Barter used	**5,302**	3,827
Other program services	**6,051**	10,742
Total program services	**239,874**	233,751
Administrative and supporting services (including depreciation and taxes)	**20,145**	21,378
Total operating expenses	**260,019**	255,129
Excess of operating revenues over operating expenses	**7,249**	1,958
Nonoperating other income and deductions:		
Investment portfolio return (Note 4)	**15,208**	(30,947)
Investment return appropriated for operations (Note 4)	**(5,744)**	(7,527)
Investment return, net of appropriation to operations	**9,464**	(38,474)
Unrealized gain on interest rate swap (Note 3)	**95**	-
Minority interest in consolidated subsidiary's income (Note 8)	**(322)**	-
Net gain on sales of investments in tennis tournaments (Note 8)	**600**	-
Impairment loss from tennis investment (Note 9)	**(1,081)**	-
Equity in income/(loss) of unconsolidated investees (Notes 8 and 9)	**292**	(154)
Total nonoperating other income and deductions	**9,048**	(38,628)
Change in unrestricted net assets	**16,297**	(36,670)
Change in permanently restricted net assets due to:		
Minority interest in consolidated subsidiary (Note 8)	**2,752**	-
Change in net assets	**19,049**	(36,670)
Net assets - beginning of year	**258,402**	295,072
Net assets - end of year	**$277,451**	$258,402

See accompanying notes to consolidated financial statements.

United States Tennis Association Incorporated and Affiliates

Consolidated Statements of Cash Flows (in thousands)

Year ended December 31,	**2009**	2008
Cash flows from operating activities:		
Change in net assets	**$ 19,049**	$(36,670)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization (Note 5)	**27,601**	25,926
Amortization of deferred bond issuance costs	**835**	612
Amortization of bond discount and premium, net	**(884)**	(812)
Loss (gain) on sale of securities, net	**1,152**	(9,268)
Unrealized (gain) loss on investments, net	**(15,254)**	42,443
Loss on disposal of property, building and equipment	**-**	154
Unrealized gain on interest rate swap (Note 3)	**(95)**	-
Net gain on sales of investments in tennis tournaments (Note 8)	**(600)**	-
Impairment loss from tennis investment (Note 9)	**1,081**	-
Equity in (income) loss of investees (Note 8)	**(292)**	154
Increase in minority interest	**(2,752)**	-
Minority interest in income of subsidiary (Note 8)	**322**	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	**(10,767)**	2,563
Decrease in other assets	**2,140**	16
Increase (decrease) in accounts payable, accrued expenses and other liabilities	**278**	(4,588)
Increase in deferred income	**2,557**	4,691
Net cash provided by operating activities	**24,371**	25,221
Cash flows from investing activities:		
Property, building and equipment, net	**(19,569)**	(41,890)
(Increase) decrease in restricted cash	**(12,076)**	21,136
Purchase of subsidiary (Note 8)	**(3,726)**	-
Proceeds from sales of auction rate certificates	**-**	17,000
Purchase of investments	**(16,914)**	(34,803)
Proceeds from sales of investments	**19,150**	57,998
Net cash (used in) provided by investing activities	**(33,135)**	19,441
Cash flows from financing activities:		
Scheduled payment of bonds payable	**(12,830)**	(12,235)
Issuance of Series 2007 Bonds, net of issuance costs	**-**	(25)
Issuance of Series 2009 Bonds, net of issuance costs	**10,106**	-
Net cash used in financing activities	**(2,724)**	(12,260)
Net (decrease) increase in cash and cash equivalents	**(11,488)**	32,402
Cash and cash equivalents at beginning of year	**51,083**	18,681
Cash and cash equivalents at end of year	**$ 39,595**	$ 51,083
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	**$ 5,763**	$ 6,179
Taxes	**75**	55
Supplemental disclosures of noncash financing and investing activities:		
Property, building and equipment purchased through accounts payable/accrued expenses	**$ 894**	$ 5,047
Installment purchase agreement	**6,480**	938
Initial transfer of minority interest	**2,430**	-

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") and, with respect to 2009, of Cincinnati Tennis, LLC. Together, such companies are hereafter collectively referred to as the ("Organization"). All significant inter-company accounts and transactions have been eliminated in consolidation. USTA also has other non-controlling minority interests in unconsolidated subsidiaries (see Notes 8 and 9).

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.

Alternative investments are not readily marketable. Their carrying value, which is based on their estimated fair value, is subject to uncertainty and therefore may differ from the value that would have been reported herein had a ready market for such investments existed. Such differences could potentially be material.

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

USTA is the sole member of NTC and such organizations have substantially identical Board of Directors and management. 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 three tennis stadia (Arthur Ashe, Louis Armstrong and Grandstand) 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) in accordance with the terms of the ground lease with the City of New York, conduct special events, 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 Internal Revenue Code.

USOS was organized by USTA to operate and manage television and marketing initiatives for a series of professional tennis tournaments known as the Olympus US Open Series. The Olympus US Open Series 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 and Women's Open. 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 minority interest in the accompanying consolidated financial statements.

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

The NTC has restricted cash on deposit with a major financial institution acting as the bond trustee in the amount of $10,808 as further discussed in Note 7. The remaining balance of $3,294 is restricted under the Cincinnati Tournament LLC Stadium and Grounds Lease further described in Note 13.

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.

Fair Value Measurements

Accounting Standards Codification ("ASC") 820, "Fair Value Measurements" (formerly Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements") 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 can not 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 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 equity securities and publicly-traded mutual funds that are actively traded on a major exchange or over-the-counter market.

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 (Swap)

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 7. The current Swap agreement is valued separately from its underlying debt and is accounted for using a "mark-to-market" basis. As market fixed rates change over time, existing fixed rate swaps become more or less valuable than at inception, resulting in a mark-to-market value which is either an unrealized gain or loss.

The fair value of the NTC's interest rate 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, 2009 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. For the year ended December 31, 2009, NTC has reported a $95 gain under non-operating other income and deductions in the consolidated statements of revenues, expenses and changes in net assets based on the then fair market value of the Swap.

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 software and hardware	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. 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 generates significant revenues from the US Open. These revenues are provided from various sources, including broadcast rights, ticket sales, sponsorships and concessions.

Revenue Recognition

Revenue from events (US Open, Pro Tournaments, including those operated by Cincinnati Tennis LLC and as part of the Olympus 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.

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 reported from such agreements for the years ended December 31, 2009 and 2008 were $61,027 and $67,683, respectively. Such agreements are subject to termination and renewal clauses and other arrangements that are contingent upon meeting certain financial thresholds.

Sponsorship Revenues

Sponsorship revenues are derived from over 30 sponsorship agreements with counterparties. Most of these sponsorships are multi-year contracts extending through December 31, 2013. The contracts involve various forms of sponsorship for the US Open, Olympus US Open Series and Arthur Ashe Kids Day. The gross aggregate revenues from such agreements for the years ended December 31, 2009 and 2008 were $71,926 and $67,218, respectively. Such agreements are subject to termination and renewal clauses.

Transactions with Multiple Elements

The Organization has occasion to enter into certain revenue transactions, such as the sale of 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.

Primarily related to the US Open, the Organization also 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 $5,302 and $3,827 for the years ended December 31, 2009 and 2008, respectively, in the consolidated statements of revenues, expenses, and changes in net assets. In addition, barter of $170 and $160 is included in the US Open revenues and in various operating expenses for each of the years ended December 31, 2009 and 2008, 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 and NTC are not-for-profit organizations that are exempt from income taxes under the Internal Revenue 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.

In addition, the Organization has not taken an unsubstantiated tax position that would require provision of a liability under ASC 740, “Income Taxes” (relevant portions of which were previously addressed in Financial Accounting Standards Board (“FASB”) Interpretation No. 48, “Accounting for Uncertainty in Income Taxes”).

Advertising Costs

The Organization expenses advertising costs as they are incurred. The Organization recognized advertising expense of $7,096 and $6,863 for the years ended December 31, 2009 and 2008, respectively, in the accompanying consolidated statements of revenues, expenses and changes in net assets. These are advertising expenses for the US Open, Olympus US Open Series, Western and Southern Financial Group Masters tournament and Community Tennis programs.

In addition to the above, the Organization received barter advertising with an estimated fair market value to USTA of $3,127 and $1,694 for the years ended December 31, 2009 and 2008, respectively. Such amounts are included in “Barter received” and “Barter used” 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, as such services do not meet the requirements for recognition as stated in ASC 958, “Not-for-Profit Entities” (formerly SFAS No. 116, “Accounting for Contributions Received and Contributions Made”). 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. Those purposes 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 direct section funding for one year in the event that the US Open fails to provide adequate funds to meet those needs.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

Recently Issued Accounting Pronouncements

(i) Not-for-Profit Entities: Mergers and Acquisitions

In May 2009, the FASB issued new standards on business combinations for not-for-profit entities as codified in ASC 958, which establishes standards of accounting and reporting by a not-for-profit entity for both mergers of not-for-profit entities and acquisitions by not-for-profit entities. The new standards also amend ASC 350, "Intangibles - Goodwill and Other" (formerly SFAS No. 142, "Goodwill and Other Intangible Assets") to make it fully applicable to not-for-profit entities. ASC 958 is effective for fiscal years beginning after December 15, 2009. Early adoption and retroactive application is prohibited.

(ii) Subsequent Events

Effective May 2009, the FASB issued new standards on subsequent events as codified in ASC 855 which was amended in February 2010, pursuant to Accounting Standards Update 2010-09. The new standard establishes general standards for accounting for and disclosure of events that occur after the balance sheet date but before financial statements are available to be issued with respect to companies that do not file financial statements with the Securities and Exchange Commission. More specifically, the new standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that have occurred for potential recognition in the financial statements, identifies the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that should be made about events or transactions that occur after the balance sheet date. The new standard is effective for fiscal years and interim periods ending after June 15, 2009. The Organization has adopted this standard during 2009 and it did not have a material impact on the consolidated financial statements. The Organization has evaluated subsequent events through March 19, 2010, the date these consolidated financial statements were available to be issued. The Organization has made no significant changes to the consolidated financial statements as a result of the subsequent events evaluation.

3. Financial Instruments and Fair Value

The Organization adopted ASC 820 relating to fair value measurements in 2008. There were no financial instruments as of the beginning of such year for which a retrospective application of fair value measurement was required. Accordingly, the effect of adopting the provisions of ASC 820 was prospective from the beginning of 2008.

The Organization's holdings in stocks and publicly-traded mutual funds consist principally of debt and equity securities carried at their aggregate market value that is determined by quoted market prices. Each of the above investments can be liquidated daily. The valuation of the above 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.

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 contain 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. 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.

Notes to Consolidated Financial Statements (dollars in thousands)

Certain alternative investments, which include private equity investments, have rolling lockups ranging from one to three years. In addition, private equity investments include future funding commitments of $1,178 by USTA as future investment opportunities become available. Each of these equity investments is reported as "Long-term investments" in the noncurrent assets section of the consolidated balance sheets.

As mentioned in Notes 8 and 9, USTA owns interests in other tennis investments. The transaction price is used as the best estimate of fair value at inception. Thereafter, valuation is based on an assessment of each underlying investment which takes into account expected cash flows and market-based information, including comparable transactions, performance multiples and changes in market outlook. Each of these investments has been valued using Level 3 inputs within the hierarchy used in measuring fair value.

Below sets forth tables of assets measured at fair value for cash and non-tennis related investments on a recurring basis and for other tennis investments on a non-recurring basis as of December 31, 2009 and 2008:

	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, 2009	Cost as of December 31, 2009
Cash and cash equivalents	**$39,595**	**$ -**	**$ -**	**$ 39,595**	**$ 39,595**
Stocks	**19,084**	**-**	**-**	**19,084**	**17,737**
Publicly-traded mutual funds	**22,018**	**-**	**-**	**22,018**	**22,120**
Common/collective trusts and private mutual funds	**-**	**39,140**	**-**	**39,140**	**32,239**
Alternative investments and private equity	**-**	**-**	**23,992**	**23,992**	**21,355**
Subtotal	**80,697**	**39,140**	**23,992**	**143,829**	**133,046**
Tennis investments	**-**	**-**	**13,600**	**13,600**	**13,600**
Total	**$80,697**	**$39,140**	**$37,592**	**$157,429**	**$146,646**
	51%	**25%**	**24%**	**100%**	

Notes to Consolidated Financial Statements (dollars in thousands)

	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, 2008	Cost as of December 31, 2008
Cash and cash equivalents	$51,083	$ -	$ -	$ 51,083	$ 51,083
Stocks	17,709	-	-	17,709	24,021
Publicly-traded mutual funds	16,162	-	-	16,162	11,358
Common/collective trusts and private mutual funds	-	32,688	-	32,688	39,057
Alternative investments and private equity	-	-	25,808	25,808	26,400
Subtotal	84,954	32,688	25,808	143,450	151,919
Other tennis investments	-	-	4,957	4,957	4,957
Total	$84,954	$32,688	$30,765	$148,407	$156,876
	57%	22%	21%	100%	

The components of total assets carried at fair value as of December 31, 2009 and 2008 are classified in the consolidated balance sheets as follows:

December 31,	**2009**	2008
Cash and cash equivalents	**$ 39,595**	$ 51,083
Investments (included in current assets)	**100,473**	89,551
Long-term investments	**3,761**	2,816
Intangible assets	**13,151**	500
Other assets (included in noncurrent assets)	**449**	4,457
	$157,429	$148,407

Notes to Consolidated Financial Statements (dollars in thousands)

The following tables set forth changes in the assets measured at fair value using Level 3 inputs on a recurring basis for the investment portfolio and non-recurring basis for other tennis investments for the years ended December 31, 2009 and 2008:

Description	Balance at December 31, 2008	Purchases	Sales	Realized gain (loss)	Unrealized gain (loss)	Balance at December 31, 2009
Investment portfolio:						
Alternative investments	**$22,992**	**$ -**	**$(4,245)**	**$2,825**	**$ (633)**	**$20,939**
Alternative investments with earliest redemption greater than 1 year	**2,473**	**-**	**(809)**	**(247)**	**703**	**2,120**
Private equity	**343**	**441**	**-**	**-**	**149**	**933**
Subtotal	**25,808**	**441**	**(5,054)**	**2,578**	**219**	**23,992**
Tennis investments	**4,957**	**12,850**	**(3,726)**	**(481)**	**-**	**13,600**
	$30,765	**$13,291**	**$(8,780)**	**$2,097**	**$ 219**	**$37,592**

Description	Balance at December 31, 2007	Purchases	Sales	Realized gain (loss)	Unrealized gain (loss)	Balance at December 31, 2008
Investment portfolio:						
Alternative investments	$45,561	$ 14	$(14,738)	$6,837	$(14,682)	$22,992
Alternative investments with earliest redemption greater than 1 year	-	4,000	(580)	(226)	(721)	2,473
Private equity	-	371	-	-	(28)	343
Subtotal	45,561	4,385	(15,318)	6,611	(15,431)	25,808
Tennis investments	3,861	1,250	-	-	(154)	4,957
	$49,422	$5,635	$(15,318)	$6,611	$(15,585)	$30,765

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 exchange (also referred to as "Swap"). The fair value of the interest rate 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 assets in the consolidated balance sheet is $95 for the unrealized gain for the Swap based on its fair market value at December 31, 2009.

(dollars in thousands)

The following is a schedule of Swap attributes as of December 31, 2009:

Effective date	December 22, 2009
Maturity date	November 15, 2024
Notional amount*	$10,600
Fixed rate	3.7%
Floating rate	One month LIBOR

* Decreases annually as payments are made reducing the principal of the bonds on which the notional amount is based.

4. Investments Return Presentation

USTA has appropriated a portion of the return on investment portfolio for operating expenditures. This appropriation is not to exceed 5% of the average market value of the last twelve quarters of the total investment portfolio (the actual appropriation to operations is not based on the actual return on the investment portfolio). This amount is presented in the consolidated statements of revenues, expenses, and changes in net assets as “Investment return appropriated for operations” as a separate line item within operating revenue. It amounted to $5,744 and $7,527 for the years ended December 31, 2009 and 2008, respectively. A corresponding deduction is presented within “Nonoperating other income and deductions” in order to reflect the appropriation to operations.

For the years ended December 31, 2009 and 2008, the Organization’s actual investment return was approximately a 15.7% gain and a 24.17% loss, respectively. The Organization expenses investment management and advisory fees as they are incurred. The Organization incurred fees of $641 and $825 for the years ended December 31, 2009 and 2008, respectively, reporting them as a reduction of investment return in the accompanying consolidated statements of revenues, expenses, and changes in net assets.

(dollars in thousands)

The following schedule summarizes the investment portfolio return for the years ended December 31, 2009 and 2008:

Year ended December 31,	**2009**	2008
Dividend income	**$ 591**	$ 450
Interest income (net of interest expense of $101 in 2009 and 2008)	**515**	1,778
Realized (loss) gain, net	**(1,152)**	9,268
Change in unrealized gain (loss)	**15,254**	(42,443)
	$15,208	$(30,947)

At December 31, 2009 and 2008, USTA accounted for all investments which were in an unrealized loss position as temporarily impaired. Such determination was based on the ability and intent of USTA to retain the investment for sufficient time to allow an anticipated recovery in value and the absence of specific adverse events related to the issuer of the investments.

For each investment category, other than tennis investments, the tables below summarize the nature and extent of investments that were in an unrealized loss position as of December 31, 2009 and 2008:

December 31, 2009

	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	**$ -**	**$ -**	**$ 9,108**	**$ (194)**	**$ 9,108**	**$ (194)**
Mutual funds	**-**	**-**	**9,877**	**(767)**	**9,877**	**(767)**
Alternative investments	**3,167**	**(201)**	**1,242**	**(844)**	**4,409**	**(1,045)**
Total	**$3,167**	**$(201)**	**$20,227**	**$(1,805)**	**$23,394**	**$(2,006)**

Notes to Consolidated Financial Statements (dollars in thousands)

December 31, 2008

	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	$16,363	$ (5,455)	$1,346	$ (857)	$17,709	$ (6,312)
Mutual funds	7,622	(3,507)	8,440	(844)	16,062	(4,351)
Alternative investments	13,421	(2,228)	-	-	13,421	(2,228)
Total	$37,406	$(11,190)	$9,786	$(1,701)	$47,192	$(12,891)

5. Property, Building and Equipment

Property, building and equipment consists of the following:

December 31,	**2009**	2008
Land, building and improvements	**$ 11,715**	$ 11,712
Leasehold improvements	**465,177**	459,559
Machinery and equipment	**42,187**	39,142
Computer hardware and software	**34,052**	37,894
Furniture and fixtures	**22,387**	20,252
Construction-in-progress	**2,600**	200
	578,118	568,759
Less: Accumulated depreciation and amortization	**296,694**	275,151
Net property, building, and equipment	**$281,424**	$293,608

Depreciation and amortization expense was $27,601 and $25,926 for the years ended December 31, 2009 and 2008, respectively.

As of December 31, 2009 and 2008, $21,113 and $22,407, respectively, of computer software costs have been capitalized. Accumulated amortization for such software costs is $19,403 and $20,045 as of December 31, 2009 and 2008, respectively.

Construction-in-progress includes various capital projects at the USTA Billie Jean King National Tennis Center and the stadium where the Western and Southern Financial Group Master's and Women's Open professional tournaments are held. These projects are expected to be completed in 2010 with an estimated cost of $10,900 at completion, of which $5,000 is provided by the lessor, Tennis for Charities, Inc., as described in Note 13.

Capitalized Interest

Interest on qualifying assets being financed with tax exempt Series 2003A Bonds and Series 2007 Bonds has been capitalized in accordance with ASC 835, "Interest" (relevant portions of which were previously addressed in SFAS No. 62, "Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants"). For the years ended December 31, 2009 and 2008, NTC capitalized interest on such bonds of $-0- and $1,409 (net of interest income of $329 in 2008), respectively.

Additional capital projects not financed with tax-exempt bonds were undertaken in 2008 and 2009 and interest has been capitalized in accordance with ASC 835 (relevant portions of which were previously addressed in SFAS No. 34, "Capitalization of Interest Cost"). The amount of interest capitalized was calculated by applying the average borrowing rate of indebtedness associated with the additional capital projects to qualifying expenditures for the period the assets were under construction. For the years ended December 31, 2009 and 2008, NTC capitalized interest of $91 and $153, respectively.

NTC incurred interest expense of $4,825 and $5,181 for the years ended December 31, 2009 and 2008, respectively, of which $91 and $1,891 was capitalized as noted above.

6. Line of Credit

USTA has an unsecured line of credit with a financial institution in the amount of $25 million that expired on June 30, 2009, and was renewed for a one year term. 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 2009 or 2008 and therefore did not incur any interest expense.

Notes to Consolidated Financial Statements (dollars in thousands)

7. Bond Financing

At December 31, 2009 and 2008, long-term bonds payable consisted of:

December 31,	**2009**	2008
Series 2003A tax-exempt serial bonds maturing November 15 each year through 2023, bearing interest rates from 3.0% to 5.0% (effective rates from 3.03% to 4.45%), net of unamortized original issue premium for 2009 and 2008 of $207 and $263, respectively, and discount for 2009 and 2008 of $169 and $191, respectively.	**$ 23,658**	$ 24,982
Series 2003B Federally taxable serial bonds maturing November 15 each year through 2013, bearing interest rates from 3.94% to 4.46%.	**3,325**	4,075
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% to 5% (effective rates from 3.08% to 3.71%), net of unamortized original issue premium for 2009 and 2008 of $1,702 and $2,385, respectively, and discount for 2009 and 2008 of $37 and $52, respectively.	**57,800**	68,313
Series 2007 tax-exempt serial bonds maturing November 15 each year through 2023, bearing interest at rates from 4% to 5% (effective rates from 3.15% to 4.24%), net of unamortized original issue premium for 2009 and 2008 of $1,132 and $1,314, respectively.	**20,172**	21,299
Series 2009 Federally taxable term bonds maturing November 15, 2024[(a)], bearing interest synthetically fixed at 3.70%.	**10,600**	-
	127,365	130,479
Less: Current portion of long- term bonds payable	**(13,870)**	(13,016)
	$113,495	$117,463

(a) Mandatory sinking fund installments required annually through maturity.

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, 2009 was $131,493. At December 31, 2008, the fair value of such bonds was $129,935.

(dollars in thousands)

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 the 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 from 2010 to 2024:

Year ending December 31,	Principal payments	Interest payments
2010	$ 13,870	$ 5,531
2011	14,355	5,129
2012	15,045	4,451
2013	15,745	3,756
2014	16,455	3,051
2015-2024	49,060	12,426
	$124,530	$34,344

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 these Bonds have been made available to 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.

Notes to Consolidated Financial Statements (dollars in thousands)

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 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 bond documents which are refunded to USTA once NTC meets its annual debt service and operating expense funding obligations with the trustee. 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 maximum annual debt service on all outstanding Bonds. At December 31, 2009 and 2008, such requirement approximated $9,300 for the IDA Bonds outstanding, all of which is satisfied with a Reserve Fund Insurance Policy. For the Series 2009 Bonds, NTC has not provided a Reserve Fund Insurance Policy; accordingly, it is required to deposit approximately $510 to satisfy the debt service reserve requirement.

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.

On December 18, 2009, NTC issued Variable Rate Taxable Bonds, Series 2009 in the aggregate principal amount of $10,600, the interest rate on which averaged 0.25% per annum through December 31, 2009. At December 31, 2009, related deposits with the trustee totaled $10,243, of which $10,116 were restricted for the payment of eligible capital project costs and the balance was restricted for the payment of certain costs of issuance. Unused amounts can be reallocated for payment of principal and interest of the Series 2009 Bonds. The Series 2009 Bonds 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 has been secured by a three year irrevocable direct-pay letter of credit issued by a major financial institution (the "Bank") which is subject to renewal. 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 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. Each month NTC pays the variable rate to the bondholders and in a transaction with the counterparty, pays or receives (depending on current rates of the one month LIBOR) the difference between the variable and the fixed rate. The Swap agreement 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. Changes in the fair value of the Swap are reported in the consolidated statements of revenues, expenses and changes in net assets. At December 31, 2009, the market value of the Swap agreement versus its market value at inception resulted in an unrealized gain of $95, which is included in Other assets in the accompanying consolidated balance sheets.

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 2009 and 2008 was $835 and $915, respectively. The deferred bond finance costs amounted to $4,852 and $5,193 at December 31, 2009 and 2008, respectively, which included $495 for the recently issued Series 2009 Bonds.

8. Tournaments

Cincinnati Tennis LLC and Tennis Ventures LLC

As mentioned in Note 1, in 2009 USTA entered into an installment purchase agreement to acquire an 80% controlling interest in Cincinnati Tennis LLC resulting in its consolidation in these consolidated financial statements. Cincinnati Tennis LLC acquired a 100% interest in TCI Ventures, LLC to obtain the ATP Tour, Inc. ("ATP") World Tour Sanction ("Sanction") for the Western and Southern Financial Group Masters and Women's Open. 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, note payable of $6,480 and an equity interest in Cincinnati Tennis LLC valued at $2,430. The payable and initial minority interest have been reported as non-cash installment purchases in the consolidated statements of cash flows.

The Sanction extends through 2010; however, based on previous experience, it is believed the Sanction will be renewed indefinitely thereafter. As a result, the asset is not being amortized but will be evaluated annually for impairment. For 2009, no impairment was deemed necessary.

Operating revenues of $13,771 and operating expenses of $12,110 of Cincinnati Tennis LLC are included in the caption, "Tour events" in each of the operating revenues and operating expenses, respectively, in the consolidated statements of revenues, expenses and changes in net assets for the year ended December 31, 2009.

Indian Wells Tennis Tournament, LLC

In June 2006, the Organization loaned Indian Wells Tennis Tournament, LLC $2,400 pursuant to a convertible promissory note. In July 2008, the Organization exercised its right to convert such note into equity and acquired 48 Class B Units of Indian Wells Tennis Tournament, LLC, representing an approximate 5% interest. The Organization has accounted for its interest using the cost method of accounting. Under the cost method of accounting, the Organization recorded the distribution it received on such units in 2009 of $324 into income. On December 21, 2009, the units of the Indian Wells Tennis Tournament, LLC were sold. The Organization's share of the net proceeds from the sale was $3,110, resulting in a realized gain of $698.

L.A. Women's Tennis, LLC

USTA owned a non-controlling 25% interest in LA Women's Tennis, LLC (the "LLC"). The carrying value of the investment at December 31, 2008 was $795. Under the equity method of accounting, USTA recorded its share of the loss of the LLC of ($113) and ($154) in the consolidated statements of revenues, expenses, and changes in net assets for the years ended December 31, 2009 and 2008, respectively. On September 1, 2009, the rights to the LA Women's Tournament were sold. USTA's share of the net proceeds was $584, resulting in a recognized loss of ($98) from the sale.

New Haven Tournament

In May 2005, USTA executed an agreement with ATP whereby USTA acquired a conditional Tournament Class membership in ATP allowing USTA to operate its Men's Tournament as part of the ATP circuit. The conditional nature of such arrangement is based on USTA's payment of a sanction fee of $500 (payable in annual installments ranging from $50 to $100 through 2009) and USTA's full compliance with the ATP By-laws and Rulebook and with all decisions of the ATP Board of Directors. The income for the USTA related to this tournament was $100 and $179 for the years ended December 31, 2009 and 2008, respectively.

USTA has recognized the sanction fee of $500 as an intangible asset. The carrying value of the ATP sanction is reported under the noncurrent asset caption, "Intangible assets" in the accompanying consolidated balance sheets

USTA entered into an agreement with Connecticut Professional Tennis, LLC (the "NH LLC") creating a single combined men's (USTA's ATP sanctioned event) and women's tournament known as the Pilot Pen Tournament ("Pilot Pen") that is held at the Connecticut Tennis Center in New Haven, Connecticut. USTA has engaged the NH LLC to manage and operate the Pilot Pen and receives a licensing fee and a percentage of gross revenues in excess of contracted amounts as a result of such agreement. The Pilot Pen is the final tournament in the Olympus US Open Series and concludes the weekend before the start of the US Open.

Atlanta Tennis Championships, LLC

In December 2009, USTA acquired a non-controlling 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 recorded in other assets in the accompanying consolidated balance sheets.

9. Other Investments

World TeamTennis

In December 2008, USTA acquired a non-controlling, 25% interest in World Team Tennis ("WTT") for $1,250. The acquisition was in the form of an installment purchase agreement over four years and the related remaining liabilities of $625 are recorded within current and long-term liabilities in the accompanying consolidated balance sheets. The investment is accounted for using the equity method of accounting because USTA's 25% ownership percentage is presumed to infer that USTA has significant influence over the investee. USTA's equity in WTT's earnings for the year ended 2009 was $81, which increased the basis of the investment by that amount.

In November 2009, subsequent to having paid its 2009 sponsorship fee to WTT, the title sponsor filed for bankruptcy. Although WTT has a 35 year operating history that includes having successfully found a series of title sponsors, in the current economic environment, the loss of this sponsor is expected to have a material long-term negative impact on future cash flows of WTT because reasonable estimates would be for WTT's finding a new sponsor, but at a reduced funding level.

At December 31, 2009, as a result of the sponsor's bankruptcy, USTA has determined that its investment in WTT is impaired and, accordingly, has recorded an impairment of $1,081 in impairment loss from tennis investments in the accompanying consolidated statements of revenues, expenses and changes in net assets. This results in an adjusted carrying value of $250 going forward for this asset.

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

For the years ended December 31, 2009 and 2008, the Organization paid certain operating expenses on behalf of USTA Serves in the amount of $675 and $761, respectively. These expenses included, among other things, salaries, and health and life insurance benefits and are included in the accompanying consolidated statements of revenues, expenses and changes in net assets.

11. Money Purchase Plan and 401(k) Plan

On January 1, 2009, the Organization's qualified defined contribution money purchase plan and the qualified 401(k) plan were merged into one plan; the United States Tennis Association Retirement Plan. The plan covers substantially all USTA and NTC employees and includes an employer match contribution. The plan also includes a discretionary employer contribution feature. 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 $719 and $716 for the years ended December 31, 2009 and 2008, respectively. The Organization also made discretionary contributions to the plan of $1,088 and $1,240 for the years ended December 31, 2009 and 2008, respectively.

12. Postretirement Benefits

The Organization maintains a health care plan covering retirees age 60 and older, with 30 years or more of service. Effective February 1, 1993, the plan was frozen such that only then existing participants are included in the plan. Included in the consolidated balance sheets under long-term liabilities is $1,133 for future post-retirement health care obligations.

13. 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 covenanted 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 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, 2009 amounted to $2,187 and for the year ended December 31, 2008 amounted to $2,391. The Organization accounts for the lease as an operating lease.

(dollars in thousands)

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 2009 and 2008. The lease includes escalation provisions.

Usage/Lease Agreement for the East Coast Training Center

In October of 2007, USTA relocated its East Coast training center. The new lease has a term of 10 years, expiring in 2017, and is classified as an operating lease for accounting and financial reporting purposes. Rent expense for 2009 and 2008 was $1,029 and $983, respectively. The lease includes escalation provisions

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 and Women's Open professional tennis tournament is held. The lease is classified as an operating lease for accounting and financial reporting purposes. The lease contain 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 amounted to $848 in 2009.

As part of the lease, Cincinnati Tennis LLC and USTA have guaranteed the debt outstanding on the facilities of the landlord, Tennis For Charities, Inc., a 501(c)(3) company, for which the maximum payable at December 31, 2009 is $10,195.

Under the lease agreement, the landlord is responsible for providing a $5,000 allowance for capital improvements at the facility. As of December 31, 2009, $1,706 of such allowance has been used and recorded under "Property, building and equipment", $3,294 has been recorded as "Restricted cash" and $5,000, which will be amortized over the lease term, has been recorded under "Deferred lease incentive/rent" in the accompanying consolidated balance sheets.

Minimum operating lease commitments at December 31, 2009 for the above leases are as follows:

Year ending December 31,	Amount
2010	$ 2,643
2011	2,698
2012	2,774
2013	2,823
2014	2,655
2015 and thereafter	34,398
Total	$47,991

Public Facility Funding Grants

USTA issued grant letters in 2009 and 2008 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, 2009, USTA would have recorded a commitment of $535.

Olympus US Open Series

Due to the overall success of the Olympus US Open Series ("Series"), the Organization made certain minimum sponsorship guarantees to each of the tournaments participating in the 2008 through 2011 Series. As part of the original arrangement with each tournament, the Organization secures sponsorships of which a predefined amount is distributed to each tournament and applied to the guarantee. The annual guarantee for 2008 through 2011 is $750 which is exceeded by the sponsorship funding that has been contracted through 2011.

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.