EMTA net assets stood at $3.3 million at the end of 2001, a decrease of about $67,000 (or 2%) from a year earlier. Despite this decrease in net assets (EMTA's first since 1992), EMTA's financial results were nearly $200,000 more favorable than expected per the 2001 budget, mostly because expense savings that were implemented in anticipation of expected revenue declines were augmented by unbudgeted savings of $200,000 in respect of past accruals for legal expenses.

Revenue

2001 revenue of $2.3 million represented a decrease of $865,000 (28%) from 2000 revenue of $3.1 million, as specified below:

The largest individual component of this revenue decline was a decrease, as expected, of $375,000 in fees for program services, which was caused by the discontinuance of the Multilateral Netting Facility for Russian VEB loan assets in September 2000. Disappointingly, revenue from membership dues declined across all membership categories by an aggregate of $223,000 (14%) to $1.4 million reflecting continuing consolidation in the financial industry and some continuing contraction in the EM trading industry. Efforts to recruit new Buy-side members were not overly successful. In a newly-created Membership category, EMTA gained ten new Investor Members in 2001, but not all of them paid dues in 2001. Assessments on members of the Board of Directors declined by $115,000 (15%) to $650,000 in 2001. This was due to a reduction in the number of board members assessed, somewhat offset by a small increase in individual assessments. Investment income declined by $97,000 (38%) to $160,000 because of 2001's lower interest rate environment. Other revenue declined by $55,000 (64%) because of the non-recurring nature of 2000 consulting revenue.

Expenses

Overall expenses were reduced by about $390,000 (14%) to approximately $2.3 million in 2001, specifically as follows:

Staff expenses declined $84,000 (4%), primarily because there were two fewer average staff in 2001 than in 2000. This was partially offset by slightly higher compensation levels for several staff members and increases in expenses for insurance and other benefit programs.

Office expense decreased by $32,000 (13%) to $224,000 in 2001. This resulted from decreased building operating costs being passed on to tenants, and lower costs of office supplies and administration due to increased use of e-mail and other forms of electronic communication.

Communications expense was reduced substantially by $46,000 (62%) from $74,000 in 2000. This was due to a continued migration away from paper and telephone, in favor of internet communications. In addition, it was helped by lower telecommunications rates in 2001. Individual components of the cost savings consisted of telecommunications ($23,000), shipping and delivery ($18,000) and printing of documents for Member services ($5,000).

Professional services decreased by $221,000 (340%) to a net credit balance of $156,000 in 2001, due primarily to savings on accruals for legal expenses in prior years. During 2001 and subsequently, EMTA paid $150,000 in legal fees for Emerging Markets industry documentation projects conducted in prior years that management had estimated would cost $350,000. The savings of $200,000 was recorded as a credit to legal expense in 2001.

FINANCIAL STATEMENTS

Consolidated Statements of Financial Position

	December 31, 2001	December 31, 2000
Assets		
Current assets:		
Cash and cash equivalents	$ 4,026,521	$ 4,536,360
Prepaid expenses and other assets	11,119	13,539
Total current assets	4,037,640	4,549,899
Property and equipment:		
Leasehold improvements	89,112	89,112
Computer equipment and network	144,076	141,945
Furniture and fixtures	80,607	80,607
Telecommunication equipment	39,931	39,931
	353,726	351,595
Less accumulated depreciation	(331,449)	(312,459)
	22,277	39,136
Investment in EMCC	1	1
Total Assets	**$ 4,059,918**	**$ 4,589,036**
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 702,007	$ 1,002,126
Unearned Membership dues	35,000	185,000
Total current liabilities	737,007	1,187,126
Deferred rent expense	12,443	24,606
Total liabilities	749,450	1,211,732
Net assets	3,310,468	3,377,304
Total Liabilities and Net Assets	**$ 4,059,918**	**$ 4,589,036**

The accompanying notes are an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

Consolidated Statements of Activities

	For the Year Ended December 31, 2001	2000
Revenue		
Membership dues	$ 1,411,250	$ 1,633,750
Fees for program services – Multilateral Netting Facility	—	375,400
Directors' assessments	650,000	765,000
Investment income	159,704	257,062
Other	31,574	86,766
Total revenue	**2,252,528**	**3,117,978**
Expenses		
Compensation and benefits	2,188,846	2,272,580
Occupancy	135,715	147,670
Office supplies and administration	68,677	84,372
Depreciation and amortization	20,073	24,695
Telecommunications	25,624	48,778
Shipping and delivery	2,104	19,835
Printing of documents for Member services	—	5,197
Legal	(186,779)	7,547
Public relations and annual report	632	18,893
Audit, tax and computer consultants	30,272	38,551
Conferences, receptions and meetings	10,904	5,936
Travel, lodging, meals and other	23,296	35,006
Total expenses	**2,319,364**	**2,709,060**
(Decrease) increase in net assets	(66,836)	408,918
Net assets, beginning of year	3,377304	2,968,386
Net assets, end of year	**$ 3,310,468**	**$ 3,377,304**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

	For the Year Ended December 31,	
	2001	2000
Cash flows from operating activities:		
(Decrease) increase in net assets	$ (66,836)	$ 408,918
Adjustments to reconcile (decrease) increase in net assets to net cash (used for) provided by operating activities:		
Depreciation and amortization	20,073	24,695
(Decrease) in deferred rent expense	(12,163)	(11,802)
Decrease in dues and fees receivable from Members	—	14,800
(Increase) decrease in prepaid expenses and other assets	2,420	(4,779)
(Decrease) increase in accounts payable and accrued expenses	(300,119)	62,476
(Decrease) increase in unearned Membership dues	(150,000)	25,000
Net cash (used for) provided by operating activities	(506,625)	519,308
Cash flows from investing activities:		
Payments for purchases of property and equipment	(3,214)	(22,344)
Net cash used for investing activities	(3,214)	(22,344)
(Decrease) increase in cash and cash equivalents	(509,839)	496,964
Cash and cash equivalents, beginning of year	4,536,360	4,039,396
Cash and cash equivalents, end of year	**$ 4,026,521**	**$ 4,536,360**

The accompanying notes are an integral part of these consolidated financial statements.

December 31, 2001 and 2000

1. Organization

EMTA, Inc. ("EMTA") is a non-profit corporation, formed in 1990 to promote the orderly development of fair, efficient and transparent trading markets for Emerging Markets instruments. EMTA's primary sources of revenue are Membership dues, Directors' assessments and, through its subsidiaries, fees for program services. All revenues and assets are unrestricted.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Operations of Subsidiaries

The consolidated financial statements include the accounts of EMTA and its four subsidiaries described below. Intercompany accounts and transactions are eliminated in consolidation.

The subsidiaries were organized in 1996 to provide services to participating Members, for which they charge fees, in carrying out EMTA's mission. The subsidiaries include: (a) Match-EM, Inc., which operated an electronic post-trade matching and confirmation system, (b) Net-EM, Inc., which operated a multilateral netting and clearing facility for outstanding trades of loans and other instruments, (c) Clear-EM, Inc., which served as EMTA's interface with Emerging Markets Clearing Corporation (EMCC), and (d) EMTA Black Inc., a holding company that is wholly owned by EMTA and that owns 100% of the common stock of the above three subsidiaries. The operations of Match-EM and Clear-EM were discontinued in November 1999 and the operations of Net-EM were discontinued in September 2000.

Membership Dues and Directors' Assessments

EMTA had three membership categories during 2001 and 2000:

- Full Members – active market participants that trade or invest in Emerging Markets instruments;
- Associate Members – market participants that trade or invest in Emerging Markets instruments, but which are smaller and less active than Full Members; and
- Affiliate Members – non-market participants that are nevertheless interested in Emerging Markets trading such as advisors, vendors, law firms, rating agencies and consultants.

Membership dues and Directors' assessments for each calendar year are billed in advance and recorded as unearned in the Consolidated Statement of Financial Position at the beginning of such year. The unearned dues and assessments are then amortized to income throughout the year as earned. Members not paying their annual dues within 60 days of billing may be suspended from membership. The Board of Directors may levy special assessments on Members to defray certain expenses. Such special assessments are to be equal for all Members of the same class. Additionally, the Board may agree to levy assessments on Directors (payable by the Members that employ them) to meet working capital deficiencies.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Excess funds are maintained in either: (a) an interest-bearing money market account with a bank that is also an EMTA Member or (b) an income-producing mutual fund managed by the same bank. This mutual fund invests in high quality short-term obligations of corporations, governments and banks and is carried at fair value.

Allowance for Doubtful Accounts

The allowance for doubtful accounts provides for the risk of losses arising from non-collection of dues, assessments and fees. Amounts included in the allowance are specifically reserved for, and the offsetting charge is recorded to the applicable revenue caption in the Consolidated Statement of Activities. Any subsequent recoveries are credited to the same caption. The allowance is increased by provisions for doubtful accounts and reduced by write-offs and recoveries of allowances previously provided. Write-offs are recorded when, in the judgment of management, a receivable is considered uncollectible. Such write-offs amounted to $142,500 and zero in 2001 and 2000, respectively.

Property and Equipment

Property and equipment are stated at cost. Amortization of leasehold improvements is provided on a straight-line basis over the shorter of the estimated lives of the improvements or the related lease, beginning at the lease inception date. Depreciation of computer, network and telecommunication equipment is provided on a straight-line basis over estimated useful lives of three years. Depreciation of furniture and fixtures is provided on a straight-line basis over estimated useful lives of five years.

Investments

Investments are carried at cost adjusted for permanent diminutions in value.

Income Taxes

EMTA is exempt from income tax under Section 501(c)(6) of the Internal Revenue Code and similar provisions of state and city tax codes. However, EMTA is subject to tax on any unrelated business taxable income. The operations of EMTA's subsidiaries are also subject to income tax, but taxable income generated since inception in 1996 has not been material.

3. Summary of Membership Dues

The individual components of membership dues are set forth below:

	Year Ended December 31,	
	2001	**2000**
Membership dues:		
Full	$ 876,250	$1,051,250
Associate	415,000	450,000
Affiliate	120,000	132,500
Total Membership dues	**$1,411,250**	**$1,633,750**

4. Summary of Expenses

Following is a summary of program and non-program expenses:

	Year Ended December 31,	
	2001	**2000**
Program Expenses:		
Direct:		
Documentation and Market Practices	$ (194,698)	$ 2,507
Conferences, receptions and meetings	10,904	5,936
Advocacy	8,838	1,721
Indirect (primarily staff and facilities costs)	1,714,785	1,828,742
Total program expenses	1,539,829	1,838,906
Non-Program Expenses:		
Direct:		
Public relations and membership development	632	18,893
General administration	29,353	41,870
Indirect (primarily staff and facilities costs)	749,550	809,391
Total non-program expenses	779,535	870,154
Total expenses	$2,319,364	$2,709,060

In prior years, EMTA had established an accrual for certain legal fees relating to Emerging Markets industry documentation projects that management had estimated would cost $350,000. On final negotiation of amounts due for these projects, this accrual was reduced by $200,000, which was credited in 2001 to the respective expense line in the Consolidated Statement of Activity.

5. Office Space Lease

EMTA's office space lease became effective March 1, 1995 and runs through January 31, 2003. The annual payments for rent are $124,614 ("base") plus EMTA's proportionate share of increases in property taxes and other building expenses after the first year ("escalation"), except that EMTA made no payments for six months in 1995 and for three months in 1996. Annual rent expense consists of the year's ratable share of the total base amount to be paid over the life of the lease plus the escalation amount for the year, which totaled $113,056 in 2001 and $122,568 in 2000. An EMTA Member employing a Director has provided a letter of credit (subject to partial reimbursement by three other Members that also employ Directors) to provide additional security to the landlord of EMTA's performance under the lease.

6. Employee Benefit Plans

EMTA has two Plans, descriptions of which are set forth below:

- a 401(k) Plan, whereby participants are allowed to contribute up to 15% of taxable compensation, subject to statutory limitations. EMTA matches the first 4% of such contributions. All employees are eligible to participate, and balances in participants' accounts are fully vested at all times; and
- a SEP-IRA arrangement, whereby EMTA contributes a certain percentage of eligible compensation each year, at the election of EMTA and subject to statutory limits. All staff employed at year-end are eligible to participate, and balances in participants' accounts are fully vested at all times.

Contributions to the above two Plans totaled $158,867 in 2001 and $174,327 in 2000, which are included in compensation and benefits in the Consolidated Statement of Activities.

7. Emerging Markets Clearing Corporation ("EMCC")

In 1996, EMTA entered into an agreement with a subsidiary of National Securities Clearing Corporation ("NSCC") to develop EMCC, which clears trades of Emerging Markets debt instruments. EMTA coordinated industry decision-making regarding EMCC's development. In this connection, EMTA provided management and legal expertise and certain administrative services, including billing and collection of EMCC's initial funding requirements.

In March 1999, EMTA received a minority interest of 300 shares of Class A voting stock in EMCC in exchange for various services rendered by EMTA during the period 1996–1999 in connection with EMCC's development. The recognized cost of this investment in EMCC of $95,960 is attributable primarily to unreimbursed staff expenses incurred in 1997.

In the fall of 1999 EMTA made an additional cash investment in EMCC of $132,000 representing 132 Class B non-voting shares (an amount derived from the approximate revenue received from EMCC by Clear-EM during 1998).

During 1999, EMTA management determined that the appropriate carrying value of its investment in EMCC was $1, and a one-time charge of $227,959 was taken at that time.

In connection with a plan by EMCC to become a wholly-owned subsidiary of Depository Trust & Clearing Corporation, EMTA entered into an agreement with EMCC in November 2001 to sell its shares of EMCC common stock back to EMCC in early 2002 (the "Agreement"). Because the consummation of the Agreement was contingent on its being completed by March 31, 2002, no gain was accrued in the financial statements at December 31, 2001.

8. Subsequent Events

Pursuant to the Agreement, EMTA received proceeds of $602,504 from EMCC in March 2002 for EMCC shares tendered.

EMTA may be eligible for certain government grant programs in connection with the September 11, 2001 terrorist attack on lower Manhattan. Management is reviewing these programs and will apply in 2002 for any that appear available and appropriate.

Report of Independent Accountants

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of activities and of cash flows present fairly, in all material respects, the financial position of EMTA, Inc. and its subsidiaries (the "Association") at December 31, 2001 and 2000, and the results of their net activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Association's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

January 25, 2002, except for Note 8,
as to which the date is March 1, 2002.