EMTA's net assets increased by $409,000 from net assets at year-end 1999. This increase resulted primarily from aggressive cost-savings in the areas of communications and professional services and from the non-recurrence of 1999's one-time charge of $228,000 for EMTA's investment in EMCC. Details are presented below.

Revenue

Total revenue declined by $179,000 (5%) to $3.1 million in 2000 from $3.3 million in 1999. Individual components were:

Continuing the consolidation of recent years in the banking industry, 2000 saw EMTA membership contract slightly from 107 at the end of 1999 to 100 at the end of 2000 (7% decline). Because the contraction was concentrated in the Affiliate category, the decline in Membership dues was limited to 5%, as it decreased from $1.7 million in 1999 to $1.6 million in 2000. Continuing a trend which began in 1995, Directors' assessments were reduced by $50,000 (6%) to $765,000 from $815,000 in 1999, primarily because individual assessments were lowered for both officer and non-officer Board members. Fees for program services declined by $179,000 (32%) to $375,000 in 2000 from $554,000 in 1999. This was due in equal parts to discontinuation of the Multilateral Netting Facility for Russia VEB loan assets in September 2000 and the termination of EMTA's involvement with Emerging Markets Clearing Corporation regarding its use of the Match-EM system in late 1999. However, the Multilateral Netting Facility logged $63,000 more revenue than originally planned in 2000. Other revenue increased by $141,000 (70%) to $344,000 in 2000 from $203,000 in the prior year, due to an increase in investment income of $73,000 (because of greater investment principal), and $60,000 from consulting revenue in 2000.

Expenses

Continuing its emphasis on aggressive cost management, EMTA further reduced its 2000 expenses by $354,000 (12%) to $2.7 million in 2000 from $3.1 million in 1999, in large part by reducing its reliance on outside service vendors.

The largest expense component, staff expenses, increased slightly (3%) to $2.3 million in 2000 from $2.2 million in 1999. This resulted from a small increase in aggregate compensation and average staff levels that were constant year over year. Office expenses declined by less than 1% to $257,000 in 2000 from $259,000 in 1999. This stemmed from a $12,000 increase from rent adjustments, offset by a decrease of $11,000 in depreciation due to postponing fixed asset purchases and other minor items.

Professional services expenses were down $144,000 (69%) to $65,000 in 2000 from $209,000 in 1999. The biggest factors were a $96,000 decrease in legal expenses, due to performance of nearly all legal work by EMTA staff, and a decrease of $54,000 in annual report costs because the annual report was published on-line in lieu of offsite printing.

Communications expenses declined $51,000 (41%) to $74,000 in 2000 from $125,000 in 1999. Underlying decreases included $15,000 in telephone expense due to renegotiated contracts with carriers, $15,000 in fax, internet and television due to less fax usage, $15,000 in website construction, $11,000 in postage and other minor decreases. These were partially offset by a $4,000 increase in teleconferencing expense.

EMTA charged nearly its entire investment of $228,000 in EMCC against operations in 1999 to bring its recorded investment to a nominal $1, and there were no further charges in 2000. Conferences, receptions, and travel increased $3,000 (9%) to $41,000 in 2000 from $38,000 in 1999 because of slightly increased staff travel.

FINANCIAL STATEMENTS

Consolidated Statements of Financial Position

	December 31,	
	2000	**1999**
Assets		
Current assets:		
Cash and cash equivalents	$ 4,536,360	$ 4,039,396
Dues and fees receivable from Members	—	14,800
Prepaid expenses and other assets	13,539	8,760
Total current assets	4,549,899	4,062,956
Property and equipment:		
Leasehold improvements	89,112	89,112
Computer equipment and network	141,945	119,601
Furniture and fixtures	80,607	80,607
Telecommunication equipment	39,931	39,931
	351,595	329,251
Less accumulated depreciation	(312,459)	(287,764)
	39,136	41,487
Investment in EMCC	1	1
Total Assets	**$ 4,589,036**	**$ 4,104,444**
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,002,126	$ 939,650
Unearned Membership dues	185,000	160,000
Total current liabilities	1,187,126	1,099,650
Deferred rent expense	24,606	36,408
Total liabilities	1,211,732	1,136,058
Net assets	3,377,304	2,968,386
Total Liabilities and Net Assets	**$ 4,589,036**	**$ 4,104,444**

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

FINANCIAL STATEMENTS

Consolidated Statements of Activities

	For the Year Ended December 31,	
	2000	**1999**
Revenue		
Membership dues	$ 1,633,750	$ 1,725,916
Fees for program services	375,400	553,863
Directors' assessments	765,000	815,000
Investment income	257,062	183,914
Other	86,766	17,206
Total revenue	**3,117,978**	**3,295,899**
Expenses		
Compensation and benefits	2,272,580	2,205,084
Occupancy	147,670	137,845
Office supplies and administration	84,372	84,608
Depreciation	24,695	36,132
Telecommunications	48,778	87,302
Shipping and delivery	19,835	33,536
Printing of documents for Member services	5,197	3,669
Legal	7,547	103,948
Public relations and annual report	18,893	72,418
Audit, tax and computer consultants	38,551	32,889
Conferences, receptions and meetings	5,936	5,652
Travel, lodging, meals and other	35,006	31,875
Adjustment to carrying value of investment in EMCC	227,959	227,959
Total expenses	**2,709,060**	**3,062,917**
Increase in net assets	408,918	234,482
Net assets, beginning of year	2,968,386	2,733,904
Net assets, end of year	**$ 3,377,304**	**$ 2,968,386**

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

Consolidated Statements of Cash Flows

	For the Year Ended December 31, 2000	1999
Cash flows from operating activities:		
Increase in net assets	$ 408,918	$ 234,482
Adjustments to reconcile increase in net assets to net cash provided by (used for) operating activities:		
Depreciation	24,695	36,132
Adjustment to carrying value of investment in EMCC	—	227,959
Decrease in dues and fees receivable from Members	14,800	50,292
Decrease in prepaid expenses and other assets	(4,779)	117
(Decrease) increase in accounts payable and accrued expenses	62,476	(7,662)
(Decrease) increase in unearned Membership dues	25,000	(452,000)
(Decrease) in deferred rent expense	(11,802)	(11,145)
Net cash provided by operating activities	519,308	78,176
Cash flows from investing activities:		
Investment in EMCC	—	(132,000)
Payments for purchases of property and equipment	(22,344)	(1,619)
Net cash (used for) investing activities	(22,344)	(133,619)
(Decrease) increase in cash and cash equivalents	496,964	(55,443)
Cash and cash equivalents, beginning of year	4,039,396	4,094,840
Cash and cash equivalents, end of year	**$ 4,536,360**	**$ 4,039,396**

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

December 31, 2000 and 1999

1. Organization

Emerging Markets Traders Association ("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 operates 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 (see Note 7).

Membership Dues and Directors' Assessments

EMTA had three membership categories during 2000 and 1999:

- 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 are 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 uncollectable. Such write-offs amounted to zero and $35,000 in 2000 and 1999, respectively.

Property and Equipment

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 telecommunications 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. An unused net operating loss carryforward of approximately $74,000 was available at December 31, 2000 and can be used to offset future taxable unrelated business income. This carryforward will expire in 2010 if not used before then. 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 Revenue

The individual components of the primary revenue categories are set forth below:

	For the Year Ended December 31,	
	2000	**1999**
Membership dues:		
Full	$1,051,250	$1,090,916
Plus recoveries of previously provided doubtful accounts	—	25,000
Subtotal Full	1,051,250	1,115,916
Associate	450,000	447,500
Affiliate	132,500	159,500
Plus recoveries of previously provided doubtful accounts	—	3,000
Subtotal Affiliate	132,500	162,500
Total Membership dues	**$1,633,750**	**$1,725,916**
Fees for program services:		
Multilateral Netting Facility	$ 375,400	$ 446,600
Clear-EM	—	107,263
Total fees for program services	**$ 375,400**	**$ 553,863**
Directors' assessments	$ 765,000	791,000
Plus recoveries of previously provided doubtful accounts	—	24,000
Total Directors' assessments	**$ 765,000**	**$ 815,000**

4. Summary of Expenses

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

	For the Year Ended December 31,	
	2000	**1999**
Program Expenses:		
Direct:		
Match-EM	$ —	$ 806
Documentation and Market Practices	2,507	6,183
Conferences, receptions and meetings	5,936	5,652
Advocacy	1,721	77,177
Indirect (primarily staff and facilities costs)	1,828,742	1,800,215
Total program expenses	1,838,906	1,890,033
Non-Program Expenses:		
Direct:		
Public relations and membership development	18,893	72,418
General administration	41,870	52,671
Indirect (primarily staff and facilities costs)	809,391	819,836
Adjustment to carrying value of investment in EMCC	—	227,959
Total non-program expenses	870,154	1,172,884
Total expenses	$2,709,060	$3,062,917

5. Office Space Lease

EMTA's office space lease became effective March 1, 1995 and runs through January 31, 2003, with an option to renew for five additional years at a rate of 95% of the fair market rental at July 31, 2002. (Fair market rental as of February 2001 was approximately $275,000 per year.) 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 $122,568 in 2000 and $115,222 in 1999. 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 $174,327 in 2000 and $184,133 in 1999, 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, derived as the approximate revenue received from EMCC by Clear-EM during 1999. EMTA management has determined that it is appropriate to carry its investment in EMCC at a value of $1.

EMCC began actual operations in the spring of 1998. As part of its commencement of operations, it began paying a royalty to Clear-EM for trades processed through Match-EM and entered into EMCC, which is recorded as fees for program services in the Consolidated Statement of Activities. Such royalties amounted to $107,263 in 1999. Additionally, EMCC assumed responsibility for operating Match-EM, for which it reimburses the transaction costs incurred by Match-EM. These reimbursements amounted to $351,750 in 1999 and are recorded as a credit to program contractors expense in the Consolidated Statement of Activities, as if EMCC were legally responsible for liabilities incurred by Match-EM. Starting November 1999, EMCC began accepting trades from Match-EM members directly into its system, essentially replacing the functions of Match-EM. The operations of Match-EM and Clear-EM were discontinued at this time, and EMTA expects to dissolve these two entities in 2001.

Report of Independent Accountants

In our opinion, the accompanying consolidated statements ancial position and the related consolidated statements of ties and of cash flows present fairly, in all material respects, the financial position of Emerging Markets Traders Association and its subsidiaries (the “Association”) at December 31, 2000 and 1999, and the results of its 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 the opinion expressed above.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

April 2, 2001