

**MARKET TECHNICIANS ASSOCIATION, INC.**

**Financial Statements  
For the Years Ended  
June 30, 2014  
and  
June 30, 2013**

### Independent Auditor's Report

To the Board of Directors of  
Market Technicians Association, Inc.

We have audited the accompanying financial statements of Market Technicians Association, Inc. (the "Association") which comprise the statements of financial position (modified cash basis) as of June 30, 2014 and June 30, 2013 and the related statements of activities and changes in net assets (modified cash basis) and cash flows (modified cash basis) for the years then ended and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

***Opinion***

In our opinion, the financial statements referred to in the first paragraph on the previous page present fairly, in all material respects, the financial position (modified cash basis) of Market Technicians Association, Inc. as of June 30, 2014 and June 30, 2013 and the results of its activities and changes in net assets (modified cash basis) and its cash flows (modified cash basis) for the years then ended in accordance with the modified cash basis of accounting as described in note 1 to the financial statements.

***Basis of Accounting***

We draw attention to note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

***Emphasis of Matter***

As described in note 6, the Association had a defalcation and other unauthorized charges of \$917,043 over a span of approximately five years due to employee theft. The Association filed the appropriate claim with the insurance carrier and was reimbursed \$910,453 in the 2015 fiscal year in connection with this event.

Carson Dillman McGinty & Donnelly LLP

**MARKET TECHNICIANS ASSOCIATION, INC.**

**Statements of Financial Position  
(Modified Cash Basis)**

**Assets**

	<b>June 30</b>	
	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	\$ 519,710	\$ 537,486
Certificates of deposit, at fair value	493,829	556,102
Insurance claim receivable	<u>910,453</u>	<u>-</u>
<b>Total current assets</b>	<b>1,923,992</b>	<b>1,093,588</b>
Property and equipment, at cost, net	<u>17,570</u>	<u>22,590</u>
<b>Total assets</b>	<b><u>\$1,941,562</u></b>	<b><u>\$1,116,178</u></b>

**Unrestricted Net Assets**

<b>Total unrestricted net assets</b>	<b><u>\$1,941,562</u></b>	<b><u>\$1,116,178</u></b>
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See notes to financial statements.

**MARKET TECHNICIANS ASSOCIATION, INC.**

**Statement of Activities and Changes in Net Assets  
(Modified Cash Basis)**

	Year Ended	
	June 30	
	<u>2014</u>	<u>2013</u>
<b>Revenue</b>		
Membership dues and application fees	\$ 1,112,819	\$ 1,115,963
Accreditation fees	678,255	757,905
Annual symposium	249,945	234,459
Regional seminar fees	16,500	5,450
Interest and dividends	1,955	8,175
Other	340	5,316
Total revenue	<u>2,059,814</u>	<u>2,127,268</u>
<b>Expenses</b>		
Payroll and benefits	754,318	615,654
Accreditation fees	350,285	402,631
Annual symposium	208,080	239,963
Regional and chapter meetings	209,187	79,883
Technology platform and related IT costs	77,348	72,981
Credit card fees	61,452	70,538
Marketing and advertising	35,729	19,750
Rent	100,271	99,985
Professional fees	116,733	87,482
Professional membership	57,848	72,313
Education	8,132	6,430
Travel	20,495	19,902
Donations	10,600	20,000
Printing	6,907	14,800
Supplies	9,809	7,965
Postage	5,861	7,279
Telephone	11,281	11,676
Consulting fees	57,571	80,300
Utilities and repairs	9,710	9,310
Equipment lease	9,934	10,032
Insurance	12,625	17,036
Other	3,408	3,989
Total expenses	<u>2,137,584</u>	<u>1,969,899</u>
Excess (deficiency) of revenue over expenses before other	(77,770)	157,369
<b>Other</b>		
Depreciation	(7,299)	(7,026)
Defalcation and other unauthorized charges	-	(241,558)
Insurance proceeds	910,453	-
Excess (deficiency) of revenue over expenses	<u>825,384</u>	<u>(91,215)</u>
Unrestricted net assets, beginning of year	<u>1,116,178</u>	<u>1,207,393</u>
Unrestricted net assets, end of year	<u>\$ 1,941,562</u>	<u>\$ 1,116,178</u>

See notes to financial statements.

**MARKET TECHNICIANS ASSOCIATION, INC.**

**Statement of Cash Flows  
(Modified Cash Basis)**

	<b>Year Ended</b>	
	<b>June 30</b>	
	<u><b>2014</b></u>	<u><b>2013</b></u>
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenue over expenses	\$ 825,384	\$ (91,215)
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash (used in) operating activities		
Insurance claim receivable	(910,453)	-
Depreciation	<u>7,299</u>	<u>7,026</u>
Net cash (used in) operating activities	<u>(77,770)</u>	<u>(84,189)</u>
<b>Cash flows from investing activities</b>		
Purchases of certificates of deposit	(140,000)	(7,234)
Proceeds from maturity of certificates of deposit	202,273	202,890
Purchases of property and equipment	<u>(2,279)</u>	<u>(15,137)</u>
Net cash provided by investing activities	<u>59,994</u>	<u>180,519</u>
<b>Increase (decrease) in cash and cash         equivalents</b>	<b>(17,776)</b>	<b>96,330</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>537,486</b></u>	<u><b>441,156</b></u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 519,710</b></u>	<u><b>\$ 537,486</b></u>

See notes to financial statements.

**MARKET TECHNICIANS ASSOCIATION, INC.****Notes to Financial Statements  
(Modified Cash Basis)  
June 30, 2014 and June 30, 2013****Note 1 – Nature of organization and summary of significant accounting policies****Nature of organization**

Market Technicians Association, Inc. (the “Association”) is a not-for-profit professional trade organization servicing approximately 4,000 market analysis professionals in 85 countries around the globe. The Association's main objectives involve the education of the public, the investment community and its membership in the theory, practice and application of technical analysis in the regulatory industry.

The Association has the following as its mission:

1. Attract and retain a membership of professionals devoting their efforts to using and expanding the field of technical analysis and sharing their body of knowledge with fellow members.
2. Establish, maintain and encourage the highest standards of professional competence and ethics among technical analysts.
3. Educate the public and the investment community of the value and universality of technical analysis.

**Summary of significant accounting policies****Basis of accounting**

The Association's policy is to prepare its financial statements on a modified cash basis method of accounting. Under this basis, revenue is recognized when received rather than when earned, and expenses are generally recognized when paid rather than when incurred. Consequently, accounts payable and accrued expenses are not included in the financial statements. In addition, the certificates of deposit are recorded at cost. The cash basis is modified for insurance claims receivable, the acquisition and depreciation of long-lived assets, including liabilities for the acquisition of long-lived assets. Therefore, the accompanying financial statements are not intended to present the financial position, changes in net assets and cash flows in conformity with accounting principles generally accepted in the United States of America.

**MARKET TECHNICIANS ASSOCIATION, INC.****Notes to Financial Statements (continued)  
(Modified Cash Basis)  
June 30, 2014 and June 30, 2013****Note 1 – Nature of organization and summary of significant accounting policies (continued)**Cash equivalents

The Association deems highly liquid investments with an original maturity of three months or less to be cash equivalents. The Association's cash equivalents consist of money market funds.

Certificates of deposit

Certificates of deposit consist of those certificates of deposit purchased with an original maturity of three months or more and are recorded at cost, which approximates fair value. One certificate of deposit in the amount of approximately \$26,000 is pledged as a letter of credit to the landlord where the Association leases its operating facility. The letter of credit expires concurrently with the expiration of the lease, as amended.

Fair value measurements

At June 30, 2014, the Association's certificates of deposit are all classified in the highest level of the fair value hierarchy (Level 1). The quoted prices for these assets are in active markets for identical assets.

Property and equipment

The Association capitalizes expenditures for property and equipment over a nominal amount with an estimated useful life greater than one year. Property and equipment are recorded at cost and are depreciated on a straight-line basis over the estimated lives of the assets which is deemed to be five years.

Revenue recognition

Membership dues and application fees are charged for annual membership and recognized as revenue when paid. Application fees for the Chartered Market Technician ("CMT") program and/or preparatory courses, and seminar registration fees, are recognized as revenue when paid.



**MARKET TECHNICIANS ASSOCIATION, INC.****Notes to Financial Statements (continued)****(Modified Cash Basis)****June 30, 2014 and June 30, 2013****Note 1 – Nature of organization and summary of significant accounting policies (continued)**Financial statement presentation

Net assets, in addition to revenue and support, expenses and depreciation (reported as increases or decreases in net assets), are classified based on the existence or absence of donor-imposed restrictions. Accordingly, there were no net assets subject to donor-imposed restrictions as of and for the years ended June 30, 2014 and June 30, 2013, and net assets are reported as unrestricted on the statements of financial position (modified cash basis) and statements of activities and changes in net assets (modified cash basis).

Concentrations of credit risk

The Association's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents and certificates of deposit. The Association places its cash, cash equivalents and certificates of deposit with what it believes to be quality financial institutions. The Association believes no significant risk of loss is likely as a result of credit risk concentrations with respect to its cash, cash equivalents and certificates of deposit.

Use of estimates

The preparation of the financial statements in accordance with the modified cash basis method of accounting requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities as the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Subsequent events

The Association has evaluated subsequent events through March 31, 2015, which is the date the financial statements were available to be issued.

**MARKET TECHNICIANS ASSOCIATION, INC.**

**Notes to Financial Statements (continued)**

**(Modified Cash Basis)**

**June 30, 2014 and June 30, 2013**

**Note 2 – Property and equipment**

Property and equipment are comprised of the following as of June 30, 2014 and June 30, 2013:

	<u>2014</u>	<u>2013</u>
Furniture and fixtures	\$ 32,332	\$ 32,332
Telephone equipment	7,954	7,954
Computer equipment	<u>45,060</u>	<u>42,781</u>
Sub-total	85,346	83,067
Less accumulated depreciation	<u>67,776</u>	<u>60,477</u>
Net property and equipment	\$ <u>17,570</u>	\$ <u>22,590</u>

**Note 3 – Commitments**

**Office lease**

The Association conducts its operations under an operating lease (the “Lease”) at its 61 Broadway, Suite 514, New York location. Through two Lease amendments dated May 16, 2011 and April 18, 2011, the Association renewed the existing Lease for a 62-month term through June 30, 2017, and increased its office space/operating facilities to include an additional 990 square feet co-terminus with the Lease. The Lease requires the Association to pay its proportionate share of certain electric costs, and provides the Association certain rent abatements and credits.

Future annual minimum rental commitments under this lease at June 30, 2014 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 102,843
2016	105,400
2017	<u>107,898</u>
Total	\$ <u>316,141</u>

Total rent expense paid on the above lease was \$100,271 and \$99,985 for the fiscal years ended June 30, 2014 and June 30, 2013, respectively.

**MARKET TECHNICIANS ASSOCIATION, INC.****Notes to Financial Statements (continued)  
(Modified Cash Basis)  
June 30, 2014 and June 30, 2013****Note 4 – Retirement plans**

The Association maintains a simple IRA plan that covers certain employees for which eligibility requirements apply in order to participate in the plan. Under the plan, the Association makes matching contributions, up to 100% of an employee's contributions, not to exceed 3% of each employee's compensation, not exceeding limits established by the Internal Revenue Code.

The Association also maintains a 401(k) plan for all eligible employees, as defined by the plan. The Association's expense in connection with these plans for 2014 and 2013 totaled \$15,993 and \$14,468, respectively.

**Note 5 – Accreditation**

The Association entered into an agreement (the "Agreement") to create, administer, and grade certain certification exams. The Agreement was renewed on February 1, 2010 (the "Effective Date"), and called for a term starting from the Effective Date and continuing to the earlier of (i) the date the test development services will be completed and applicable fees paid by the Association or (ii) March 31, 2012. The Agreement can be automatically renewed annually. In connection with the Agreement, the Association pays a per-test delivery fee of \$68 to \$85, depending on the level of test administered. The Association will also pay an annual minimum total per-test delivery fee of \$50,000. All fees are subject to a 3% per annum increase through the end of the Agreement.

**Note 6 – Defalcation and other unauthorized charges**

During the 2013 fiscal year, the Association became aware that an employee had fraudulently transferred, through a series of wires from its bank accounts and unauthorized credit card charges, a sum of \$917,043 over a span of approximately five years. In November 2014, the Association received \$910,453 from its insurance carrier in connection with the defalcation and other unauthorized charges. The Association is not seeking any additional recoveries from this event.

**Note 7 – Tax status**

The Association is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code except as to a tax on its net unrelated business income. As of June 30, 2014, no amounts have been recognized for uncertain income tax positions. The Association's tax returns for the 2011 fiscal year and forward are subject to the usual review by the appropriate authorities.