**MTG LLC dba Betterment Securities**
**Statement of Financial Condition**
**June 30, 2019**
**(unaudited)**

| | | |
|---|---|---|
| **Assets** | | |
| Cash | $ | 18,554,461 |
| Cash segregated under federal and other regulations | | 4,000,000 |
| Receivable from Clearing Broker | | 3,460,062 |
| Receivable from customers | | 1,995,465 |
| Deposits with Clearing Broker | | 1,003,556 |
| Receivable from affiliate | | 481,259 |
| Prepaid expenses and other current assets | | 89,584 |
| **Total assets** | $ | 29,584,387 |
| **Liabilities and Member's equity** | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ | 295,616 |
| Payable to customers | | 1,455,527 |
| Payable to Parent | | 178,978 |
| Notes payable to Parent | | 11,500,000 |
| Total liabilities | | 13,430,121 |
| Member's equity | | 16,154,266 |
| **Total liabilities and Member's equity** | $ | 29,584,387 |

See accompanying notes to the Statement of Financial Condition

**MTG LLC dba Betterment Securities**
**Notes to the Statement of Financial Condition**
**June 30, 2019**
**(unaudited)**

## 1. Organization and Nature of Business

MTG LLC dba Betterment Securities (the "Company"), a New York limited liability company, is wholly owned by Betterment Holdings, Inc. (the "Parent"), a privately held Delaware Corporation. On November 19, 2010, Betterment Holdings, Inc. acquired MTG LLC. The Company is an omnibus broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). The Company is licensed in 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands and its headquarters are in New York City. The Company currently operates in one reportable business segment which represents principally all of the Company's operations. The U.S. Dollar is the functional currency of the Company. The Company clears its securities transactions on an omnibus basis through Apex Clearing Corporation ("Apex" or the "Clearing Broker").

## 2. Summary of Significant Accounting Policies

### Basis of presentation and use of estimates

The accompanying Statement of Financial Condition has been prepared in conformity with accounting principles generally accepted in the United States, which require management to make certain estimates and assumptions that affect the reported amounts in the statement. Those estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could materially differ from those estimates.

### Cash

The Company maintains its cash balances at various financial institutions. These balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 subject to certain limitations. At June 30, 2019, the Company held cash balances at two financial institutions, one of which held cash balances for the Company in excess of the FDIC insured limit.

### Income taxes

The Company is an entity that is disregarded as separate from its owner for federal, state and local income tax purposes. The Company's income is allocated directly to its sole member and the Company is not subject to a corporate level of taxation. In New York City, the Company is treated as a disregarded entity for unincorporated business tax ("UBT") purposes, and the Parent, as a corporation, is not subject to UBT. Accordingly, no provision has been made for income taxes.

### Recent accounting pronouncements

### New accounting pronouncements not yet adopted

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which makes significant changes to the accounting for credit losses on financial assets and disclosures about them. The new guidance will be effective for the Company beginning January 1, 2020, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on its Statement of Financial Condition.

**Recently adopted accounting pronouncements**

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). ASU 2016-02 requires a lessee to account for leases as finance or operating leases. Both types of leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability on its balance sheet. The new guidance will be effective for the Company beginning January 1, 2019, with early adoption permitted. The adoption of this standard did not have a material effect on the Company's Statement of Financial Condition.

## 3. Cash Segregated and on Deposit for Regulatory Purposes

The Company maintains records of credits payable to customers. Credits payable to customers are either maintained in a sweep program under which cash is held in an account at a bank whose deposits are insured by the FDIC or segregated in a special reserve bank account for the exclusive benefit of customers pursuant to Rule 15c3-3 of the Securities Exchange Act of 1934. The value of the assets maintained in a sweep program is not included on the Statement of Financial Condition.

## 4. Deposits Held by Clearing Broker and Clearing Organization

Under the terms of the agreement between the Company and the Clearing Broker, the Company is required to maintain a certain amount of cash on deposit to cover any obligations that may arise from the Company. Such clearing deposits are generally retained by the clearing firm for the duration of the clearing arrangement and are generally returned to the correspondent firm, as long as the correspondent firm does not have obligations to the clearing firm that it cannot otherwise satisfy, within a short period after termination of a clearing arrangement. Included in Deposits with Clearing Broker on the Statement of Financial Condition is a $1,003,556 clearing deposit with the Clearing Broker. At June 30, 2019, the Company recorded receivables from the Clearing Broker of $3,460,062 for cash balances held at the Clearing Broker in the normal course of business.

## 5. Receivable from Customers and Payable to Customers

At June 30, 2019, the Company recorded Receivables from customers of $1,995,465 and Payables to customers of $1,455,527, $390,311 of which is payable to Betterment LLC (the "RIA"), a related party and affiliated entity through common ownership. Receivables from customers primarily result from ACH returns on customer deposits after securities have been purchased, which result in the customer having a negative cash balance in their brokerage account. These receivables are generally resolved by selling the securities and recovering the sale proceeds. Payables to customers are comprised of customer cash balances in their brokerage accounts, which primarily result from dividends received and not yet swept to customer sweep accounts.

## 6. Related Party Transactions

The Company and the RIA, an SEC registered investment advisor, are affiliated through common ownership. The Company maintains an arrangement with the RIA under which the Company will maintain brokerage accounts, execute security transactions, and provide back-office operations and technical support in return for a monthly fee. At June 30, 2019, the RIA owed the Company a net amount of $481,259 related to this arrangement.

The Company and the Parent maintain an administrative service agreement under which the Parent provides office space, personnel and technology services to the Company for use in its operations. At June 30, 2019, the Company owed the Parent $178,978.

The Company borrows monies from its Parent to satisfy operational cash flow requirements. These loans bear no interest, are not permanent, are not considered capital in accordance with regulatory requirements. At June 30, 2019, the Company owed $11,500,000 to the Parent under these loans, to be repaid on January 3, 2020.

**7. Regulatory Requirements**

As a registered broker-dealer, the Company is subject to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934. Under this provision, the Company elected the Aggregate Indebtedness Standard, which requires that the Company's aggregate indebtedness shall not exceed fifteen times net capital, as defined. At June 30, 2019, the Company had net capital of $15,114,571 which was $14,332,293 in excess of its required net capital of $782,278. The ratio of aggregate indebtedness to net capital was .78 to 1.

In addition, the Company maintains records of credits payable to customers and performs a weekly computation to identify customer related payables. If the calculation results in a net payable to customer, the Company is required to reserve this amount in a special reserve account. At June 30, 2019, the Company had a reserve requirement of $1,695,964 and held $4,000,000 on deposit in the special reserve account.

**8. Control of Securities**

The Company maintains control of all fully paid customer securities by holding them in an omnibus account at the Clearing Broker. The Company has instructed the Clearing Broker to maintain physical possession or control of all fully paid customer securities carried in the account free of any charge or lien. The value of such assets is not included on the Statement of Financial Condition.

**9. Financial Instruments with Off-Balance Sheet Credit Risk**

In the normal course of business, the Company's customer activities involve the execution, settlement and financing of various customer securities. These activities may expose the Company to off-balance

sheet credit risk in the event a customer is unable to fulfill its contracted obligations. The Company is therefore exposed to risk of loss on these transactions in the event of a contra party being unable to meet the terms of their contracts, which may require the Company to purchase or sell financial instruments at prevailing market prices.

**10. Contingencies**

The Company is subject to various legal proceedings, claims and regulatory matters that may arise in the ordinary course of business. The Company also has been and may in the future be the subject of one or more regulatory or self-regulatory organization inquiries, examinations or enforcement actions. As a result, the Company incurs or may incur expenses related to regulatory matters, including penalties and fines.

**11. Subsequent Events**

Management has evaluated the impact of all subsequent events through August 28, 2019 and has determined that there were no subsequent events, not otherwise reported in this Statement of Financial Condition or the notes thereto, requiring disclosure.