1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—Deloitte Corporate Finance LLC (the "Company"), a securities broker-dealer providing corporate finance advisory services to Fortune 1000 companies and large middle-market companies, both publicly and privately held, was organized as a limited liability company by Deloitte Corporate Finance Holding LLC (sole member and parent company). The Company received its articles of organization from the State of Delaware in January 2001. The Company is registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA).

Basis of Presentation—The financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

Revenue Recognition—The Company recognizes revenue from contracts with customers including advisory services on mergers and acquisitions (M&A) and other advisory services. Revenue for M&A advisory arrangements are generally recognized at the point in time that performance under the engagement is completed which is typically the closing date of the transaction or when the contract is cancelled. Other advisory services are generally recognized over time as the customer receives the benefits.

Deferred Costs/Revenue—The Company defers direct internal costs that enhance its ability to satisfy future performance obligations up to the amount of the corresponding non-refundable retainer fees. The Company recognizes these costs and reimbursable expenses once the performance obligation is satisfied. The Company may receive non-refundable retainer fees in advance of providing financial advisory services to its clients and reimbursable expenses during the engagement. The company recognizes these retainers and reimbursable expenses once the performance obligation is satisfied.

Cash and Cash Equivalents—The Company considers all highly liquid investments with original maturities of 90 days or less to be cash equivalents. Cash and cash equivalents primarily consist of cash.

Accounts Receivable— Accounts receivable are client obligations due under normal transaction terms. The Company reviews accounts receivable on a monthly basis to determine if any receivable will potentially be uncollectible. The Company evaluates the collectability of its accounts receivable and adequacy of the allowance for doubtful accounts based upon historical experience and any specific customer financial difficulties of which the Company becomes aware. In cases where management is aware of circumstances that may impair a customer's ability to meet its financial obligations, management records a specific allowance against amounts due and reduces the receivable to the amount the Company believes will be collected. For all other customers, the Company maintains an allowance that considers the total receivables outstanding, historical collection rates and economic trends. Accounts are written off when all efforts to collect have been exhausted. The allowance for doubtful accounts was $687 and $672,598 at May 31, 2021 and 2020, respectively. Provision for bad debts includes changes in the allowance for doubtful accounts based on assessments of credit risk.

Goodwill - Goodwill represents the excess of the purchase price over the fair values of identifiable net assets acquired in business acquisitions. Goodwill is tested for impairment annually as of May 31 each year or more often if events or circumstances indicate that impairment may have occurred. Goodwill is tested for impairment by comparing the carrying amount to its respective fair value. The fair value is determined primarily using the discounted cash flows and valuation comparisons from publicly available information of similar businesses. Comparative market multiples and other factors are used to corroborate the discounted cash flow results. If the carrying amount, including goodwill, exceeds the estimated fair value, then the identifiable assets and liabilities are estimated at fair value as of the current testing date. The excess of the estimated fair value over the current estimated fair value of net assets establishes the implied value of goodwill. The excess of the recorded goodwill over the implied goodwill value is charged to earnings as an impairment loss. Based on the assessment, there were no goodwill impairment charges in the years ended May 31, 2021 and 2020.

Use of Estimates—These financial statements have been prepared in accordance with generally accepted accounting principles that require management to make certain estimates and assumptions. The most important of these estimates and assumptions relate to deferred revenue and the valuation of goodwill at May 31, 2021 and 2020. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

New/Recent Accounting Pronouncements—On January 26, 2017, the Financial Accounting Standards Board ("FASB") issued updated guidance simplifying the test for goodwill impairment. The updated guidance removes the second step of the goodwill impairment test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. The guidance was effective for fiscal years beginning after December 15, 2020. The adoption of this ASU did not have a material impact on the Company's financial statements.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments. The ASU requires an entity to recognize its estimate of credit losses expected over the life of the financial instrument or exposure by incorporating forward-looking information, such as reasonable and supportable forecasts, in the entity's assessment of the collectability of financial assets. The Company evaluates the collectability of its accounts receivable and adequacy of the allowance for credit losses based upon historical experience and any specific customer financial difficulties of which the Company becomes aware. Effective June 1, 2020 the Company adopted this guidance. The adoption of this ASU did not have a material impact on the Company's financial statements.

In August 2018, the FASB issued ASU 2018-13, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement, which modifies disclosure requirements on fair value measurements to improve their effectiveness. The guidance permits entities to consider materiality when evaluating fair value measurement disclosures and, among other modifications, requires certain new disclosures related to Level 3 fair value measurements. The Company adopted the ASU on June 1, 2020. The adoption of this ASU did not have a material impact on the Company's financial statements.

In March 2020, The FASB issued Accounting Standards Update No. 2020-04, "Reference Rate Reform" ("ASU 2020-04"). ASU 2020-04 provides optional guidance for entities that are impacted by interest rate reform. Specifically, ASU 2020-04 allows for contracts under the scope of Topic 310-Receivables to be accounted for prospectively with the updated interest rate, among other specifications for debt, derivative instruments, and other contracts. ASU 2020-04 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. Early application is permitted. Upon initial evaluation, we do not anticipate any material changes to the Company's financial statements.

Fair Value Financial Instruments – Company financial instruments consist of money market funds, accounts receivable and accounts payable. There are three levels of fair value hierarchy:

- **Level 1** – Unadjusted quoted prices for identical assets or liabilities in active markets

- **Level 2** – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability

- **Level 3 -** Unobservable inputs for the asset or liability, which include management's own assumption about the assumptions market participants would use in pricing the asset or liability, including assumptions about risk.

Money market funds are level 1 assets that are held at fair value. The carrying value of cash, accounts receivable and accounts payable approximates the fair value because they are short-term in nature.

Federal Income Taxes—For federal income tax purposes both the Company and its parent Deloitte Corporate Finance Holding LLC are classified as disregarded entities. As such, their income is taxed to the members on their respective returns.

Risk/Uncertainty - The COVID-19 pandemic has surpassed one year in duration and continues to impact economic and societal activities both globally and within the United States. The pandemic has resulted in federal, state and local authorities implementing numerous unprecedented measures such as travel restrictions, quarantines, shelter-in-place orders, social distancing measures and temporary business closures. In response to governmental directives and recommended safety measures, most of the Company's employees have adjusted to a virtual work environment while continuing to serve the needs of clients. Although the pandemic is ongoing, the global and United States economies are showing signs of recovery. As governments ease their restrictions, the Company is planning to implement a hybrid work model that incorporates both in-person and virtual work environments. However, uncertainty remains in the economic outlook and the ultimate extent of COVID-19 will depend on future developments that are difficult to predict, including new "waves" of infection, newly emerging variants of the virus, potential renewed restrictions by various governments or agencies, and the effectiveness and distribution rate of vaccines. The Company's continuing assessment and response to these factors, as well as other factors such as the prolonged effect on clients and client demand for our services, could result in material impacts to the financial statements in future reporting periods.

2. TRANSACTIONS WITH RELATED ENTITY

The financial statements reflect significant balances and transactions with an affiliate. Such financial statements may not be indicative of the conditions that would have existed or the results of operations if the Company had not been operated as an affiliated company.

The Company and Deloitte Financial Advisory Services LLP ("Deloitte FAS"), a related entity, operate under a service and expense agreement whereby Deloitte FAS provides employee and administrative services including, but not limited to, expenses such as all company personnel including out-of-pocket client project costs, office space, including all utilities and telephone services, and all general and administrative services in connection with the Company's business which includes all state and local taxes. The charges for these services are a monthly fee equal to the sum of the Direct Expenses and the Allocated Expenses as defined. The Company is responsible for its directly-related expenses including, but not limited to, audit and accounting fees and licensing and registration fees.

For the year ended May 31, 2021, the net services and expenses charged to the Company amounted to $56,687,179. For the year ended May 31, 2020, the net services and expenses charged to the Company amounted to $46,151,970. The receivable due from Deloitte FAS was $810,331 and $6,580,781 at May 31, 2021 and 2020, respectively, which is related to the payment of compensation costs.

3. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1). Based on the provisions of this rule, the Company must maintain net capital equivalent to the greater of $5,000 or 1/15th of aggregate indebtedness, as defined.

As of May 31, 2021, the Company's net capital was $54,618,182 and its required net capital was $372,959. The ratio of aggregate indebtedness to net capital (which may not exceed 15 to 1) was .10 to 1.

As of May 31, 2020, the Company's net capital was $8,192,702 and its required net capital was $424,838. The ratio of aggregate indebtedness to net capital (which may not exceed 15 to 1) was .78 to 1.

4. SUBSEQUENT EVENTS

The Company evaluates events subsequent to May 31, 2021 through the date the audited financial statements are issued. The Company did not identify any subsequent events requiring disclosure or adjustment to the financial statements.

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