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OMB APPROVAL	
OMB Number:	3235-0123
Expires:	August 31, 2020
Estimated average burden hours per response.....	12.00

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8- 69751

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 10/01/17 AND ENDING 09/30/18  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: <u>Matthews South, LLC</u>		
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.) <u>1700 South El Camino Real, Suite 345</u> (No. and Street)		
<u>San Mateo</u> (City)	<u>CA</u> (State)	<u>94402</u> (Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO. <u>NOV 26 2018</u>

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT	
<u>Susan Hayes</u>	<u>(609) 642-6593</u>
(Area Code - Telephone Number)	

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

<u>Moss Adams LLP</u> (Name - if individual, state last, first, middle name)			
<u>8750 N. Central Expressway, Suite 300</u> (Address)	<u>Dallas</u> (City)	<u>TX</u> (State)	<u>75231</u> (Zip Code)

Securities and Exchange Commission  
Trading and Markets  
NOV 26 2018  
**RECEIVED**

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

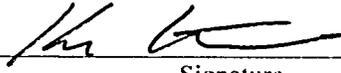
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RMS

OATH OR AFFIRMATION

I, Kevin Castellano, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Matthews South, LLC, as of September 30, 2018, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Signature  
Chief Financial Officer & Chief Compliance Officer  
Title

\* See Attachment  
Notary Public

- This report \*\* contains (check all applicable boxes):
- (a) Facing Page.
  - (b) Statement of Financial Condition.
  - (c) Statement of Income (Loss).
  - (d) Statement of Changes in Financial Condition.
  - (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
  - (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
  - (g) Computation of Net Capital.
  - (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
  - (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
  - (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
  - (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
  - (l) An Oath or Affirmation.
  - (m) A copy of the SIPC Supplemental Report.
  - (n) ~~A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit-~~  
Exemption Report

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**CALIFORNIA JURAT WITH AFFIANT STATEMENT**

**GOVERNMENT CODE § 8202**

- See Attached Document (Notary to cross out lines 1–6 below)
- See Statement Below (Lines 1–6 to be completed only by document signer[s], not Notary)

1 \_\_\_\_\_  
 2 \_\_\_\_\_  
 3 \_\_\_\_\_  
 4 \_\_\_\_\_  
 5 \_\_\_\_\_  
 6 \_\_\_\_\_

*Signature of Document Signer No. 1*                      *Signature of Document Signer No. 2 (if any)*

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  
 County of San Mateo

Subscribed and sworn to (or affirmed) before me  
 on this 21 day of November, 2018,  
 by Kevin J. Castellano  
 (1) \_\_\_\_\_  
 (and (2) \_\_\_\_\_),  
*Name(s) of Signer(s)*



*Place Notary Seal and/or Stamp Above*

proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.  
 Signature *Christian Reyes*  
*Signature of Notary Public*

**OPTIONAL**

*Completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.*

**Description of Attached Document**

Title or Type of Document: Oath of Affirmation

Document Date: 11/21/18                      Number of Pages: \_\_\_\_\_

Signer(s) Other Than Named Above: \_\_\_\_\_

## **Matthews South, LLC**

Table of Contents

September 30, 2018

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	<b>Page(s)</b>
<b>Report of Independent Registered Public Accounting Firm</b>	1
<b>Financial Statements</b>	
Statement of Financial Condition	2
Statement of Operations	3
Statement of Changes in Member's Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 8
<b>Supplementary Information</b>	9
Schedule I - Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission	10
Schedule II - Computation for Determination of Reserve Requirements and Information Relating to Possession and Control Requirements Under Rule 15c3-3 of the Securities and Exchange Commission	11
<b>Exemption Certification</b>	12
Report of Independent Registered Public Accounting Firm on Management's Exemption Report	13
Management's Exemption Report	14



MOSSADAMS

## **Report of Independent Registered Public Accounting Firm**

To the Member and the Board of Directors  
Matthews South, LLC

### ***Opinion on the Financial Statements***

We have audited the accompanying statement of financial condition of Matthews South, LLC (the Company) as of September 30, 2018, the related statements of operations, changes in member's equity, and cash flows for the year then ended, and the related notes (collectively referred to as the *financial statements*). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2018, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### ***Opinion on the Supplementary Information***

The supplementary information in Schedules I and II has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The information in Schedules I and II is the responsibility of the Company's management. Our audit procedures include determining whether the information in Schedules I and II reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in Schedules I and II. In forming our opinion on the information in Schedules I and II, we evaluated whether the information in Schedules I and II, including its form and content is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the information in Schedules I and II is fairly stated in all material respects in relation to the financial statements as a whole.

*Moss Adams LLP*

Dallas, Texas  
November 20, 2018

We have served as the Company's auditor since 2017.

**Matthews South, LLC**  
Statement of Financial Condition  
September 30, 2018

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**ASSETS**

Cash and cash equivalents	\$ 6,084,302
Prepaid expenses	<u>6,587</u>
<b>Total Assets</b>	<b><u>\$ 6,090,889</u></b>

**LIABILITIES AND MEMBER'S EQUITY**

**LIABILITIES**

Accounts payable and accrued liabilities	<u>\$ 13,735</u>
<b>Total Liabilities</b>	<b>13,735</b>

**MEMBER'S EQUITY**

	<u>6,077,154</u>
<b>Total Liabilities and Member's Equity</b>	<b><u>\$ 6,090,889</u></b>

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

**Matthews South, LLC**  
Statement of Operations  
For the Year Ended September 30, 2018

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<b>Revenues</b>	
M & A advisory fees	<u>\$ 9,573,600</u>
<b>Total revenues</b>	<b>\$ 9,573,600</b>
<b>Expenses</b>	
Transaction based expenses	1,588,125
Incremental allocation services fee	67,500
Legal and professional fees	36,213
Regulatory fees	19,551
Technology, data and communication expenses	8,930
State and local income taxes	6,812
Meals & Entertainment	3,710
Other operating expenses	<u>1,889</u>
<b>Total expenses</b>	<u>1,732,730</u>
<b>Net income</b>	<u><u>\$ 7,840,870</u></u>

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

**Matthews South, LLC**  
Statement of Changes in Member's Equity  
For the Year Ended September 30, 2018

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<b>Beginning Balance, September 30, 2017</b>	\$ 79,534
Capital distribution	(1,843,250)
Net income	<u>7,840,870</u>
<b>Ending Balance, September 30, 2018</b>	<u>\$ 6,077,154</u>

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

**Matthews South, LLC**  
Statement of Cash Flows  
For the Year Ended September 30, 2018

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**Cash Flows from Operating Activities**

Net income	\$ 7,840,870
Adjustments to reconcile net income to net cash used in operating activities:	
Increase in prepaid expenses	(3,436)
Increase in accounts payable and accrued expenses	13,685
Net cash provided by operating activities	<u>7,851,119</u>

**Cash Flows from Investing Activities**

Net cash provided by investing activities	<u>-</u>
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**Cash Flows from Financing Activities**

Distribution to member	(1,843,250)
Net cash used in financing activities	<u>(1,843,250)</u>

**Net Increase in Cash and Cash Equivalents**

	6,007,869
Cash and Cash Equivalents, Beginning of Year	76,433
Cash and Cash Equivalents, End of Year	<u><u>\$ 6,084,302</u></u>

**Supplemental Schedule of Cash Flow Information**

Interest	<u><u>\$ -</u></u>
Income Taxes	<u><u>\$ -</u></u>

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

## **Matthews South, LLC**

Notes to Financial Statements

For the Year Ended September 30, 2018

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### **NOTE 1. BUSINESS OF THE COMPANY**

Matthews South, LLC (the Company) is registered as a broker-dealer with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA). It is a wholly owned subsidiary of Matthews South, Inc. (the Parent). The Company was formed in the state of Delaware on February 18, 2016 and became a registered broker-dealer and member of FINRA on March 16, 2017.

The Company engages in private placements of securities and advises U.S. public reporting companies on capital markets transactions including registered debt and equity offerings and Rule 144A debt offerings.

The Company periodically distributes substantially all of its earnings to the Parent.

### **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

#### **Cash and Cash Equivalents**

The Company considers all liquid investments with a maturity of three months or less to be cash equivalents. The Company maintains its deposits in a commercial checking account in a high credit quality financial institution. Balances at year end and at times during the year have exceeded federally insured limits of \$250,000.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of 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.

#### **Revenue Recognition**

The Company earns revenue (advisory fees) on the closing date of a transaction for which it has been engaged by a client when fees are reasonably determinable.

## **Matthews South, LLC**

Notes to Financial Statements

For the Year Ended September 30, 2018

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### **Operating Expenses**

Transaction expenses are borne by Matthews South, Inc. and are billed to the Company by the Parent on the date that cash from related transactions is received. Direct expenses such as software licensing fees, professional service fees and broker-dealer fidelity bond insurance premiums are related to operating activities of the Company and are expensed in the period to which they relate.

### **Income Taxes**

The Company is considered a “pass-through” entity under the Internal Revenue Code and therefore is not liable for federal income taxes on its taxable income. Liability for federal income tax expense is the responsibility of the Company’s Member. The Company is subject to state income and franchise taxes. It has paid its Minimum Gross Receipt Tax for the current tax year which ends on December 31.

### **NOTE 3. RELATED PARTY MATTERS**

The Company has an Expense Sharing Agreement (ESA) in place with its parent, Matthews South, Inc. Under the terms of the ESA, the Parent charges the Company a monthly Incremental Allocation Services Fee for incremental overhead expenses incurred by the Parent on behalf of the Company. Fees paid to the Parent for the reporting period total \$67,500 and include allocated salaries and benefits (\$52,250), rent (\$7,080), information and technology subscriptions (\$7,050) and various other office support services (\$1,120). The allocation methodology is based on estimated expense allocations between the Company and the Parent. This schedule is subject to review and revision at the end of each calendar year. The Incremental Allocation Services Fee appears as an expense on the Statement of Operations.

In addition, under the terms of the ESA, the Parent charges the Company for expenses related to the Company’s revenue-generating engagements. These expenses may include, but are not limited to, personnel time, travel, entertainment, legal and professional fees. Generally, the invoice from the Parent is rendered to the Company at the conclusion of an engagement. Transaction-Based Expenses appears as a line item on the Statement of Operations and is made up of \$1,588,125 in invoiced personnel time.

### **NOTE 4. COMMITMENTS AND CONTINGENCIES**

The Company has no significant commitments or contingencies at September 30, 2018.

**Matthews South, LLC**

Notes to Financial Statements

For the Year Ended September 30, 2018

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**NOTE 5. NET CAPITAL REQUIREMENTS**

The Company, as a registered broker-dealer, is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1) which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At September 30, 2018 the Company had net capital of \$6,070,567 which was \$6,065,567 in excess of its required net capital of \$5,000 and its ratio of aggregate indebtedness to net capital was .0023 to 1.

## **Supplementary Information**

**Matthews South, LLC**  
**Supplementary Schedule I**  
 Computation of Net Capital Under Rule 15c3-1 of the  
 Securities and Exchange Commission  
 As of September 30, 2018

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<b>Net Capital</b>	
Total member's equity	\$ 6,077,154
Less non-allowable assets:	
Prepaid expenses	6,587
	6,070,567
Net capital before haircuts on securities positions	6,070,567
Haircuts on securities positions	-
	\$ 6,070,567
<b>Aggregate Indebtedness</b>	\$ 13,735
<b>Computation of Basic Net Capital Requirement</b>	
Minimum net capital required	\$ 5,000
Excess net capital	\$ 6,065,567
Net capital in excess of 120% of required net capital	\$ 6,064,567
Ratio of aggregate indebtedness to net capital	.0023 to 1

There are no material differences between the computation above and the computation included in the Company's corresponding unaudited FOCUS Report, Part IIA, Form X-17a-5 as of September 30, 2018.

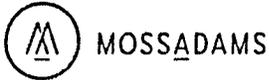
**Matthews South, LLC**  
**Supplementary Schedule II**

Computation of for Determination of Reserve Requirements and Information Relating to  
Possession and Control Requirements Under Rule 15c3-3 of the  
Securities and Exchange Commission  
As of September 30, 2018

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The Company is exempt from Securities and Exchange Commission Rule 15c3-3 pursuant to the  
exemptive provisions of sub-paragraph (k)(2)(i) and therefore is not required to maintain a  
“Special Reserve Bank Account for the Exclusive Benefit of Customers.”

**Exemption Certification**



## Report of Independent Registered Public Accounting Firm

To the Member and Board of Directors  
Matthews South, LLC

We have reviewed management's statements, included in the accompanying Management's Statement Regarding Compliance with Certain Exemption Provisions Under Rule 15c3-3 of the Securities Exchange Act of 1934, in which (1) Matthews South, LLC identified provision 17 C.F.R. §15c3-3(k)(2)(i) (the exemption provisions) under which Matthews South, LLC claimed an exemption from 17 C.F.R. §240.15c3-3 and (2) Matthews South, LLC stated that Matthews South, LLC met the identified exemption provisions throughout the most recent fiscal year without exception. Matthews South, LLC's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Matthews South, LLC's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the conditions set forth in paragraph (k)(2)(i) of Rule 15c3-3 under the Securities Exchange Act of 1934.

*Moss Adams LLP*

Dallas, Texas  
November 20, 2018

We have served as the Company's auditor since 2017.

**MATTHEWS SOUTH, LLC  
EXEMPTION REPORT**

NOVEMBER 20, 2018

Matthews South, LLC (the “Company”) is a registered broker dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, “Reports to be made by certain brokers and dealers”). This Exemption Report was prepared as required by C.F.R. §240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

1. The Company claimed an exemption from 17 C.F.R. §240.15c3-3 under the provisions of 17 C.F.R. §240.15c3-3, paragraph (k)(2)(i) throughout the fiscal year October 1, 2017 to September 30, 2018.
2. The Company had no obligations under 17 C.F.R. §240.15c3-3 throughout the fiscal year October 1, 2017 to September 30, 2018 without exception.

Signature:  \_\_\_\_\_ Date: 11/20/18

Name **Kevin Castellano**  
Title **CCO, CFO**  
Matthews South, LLC  
1700 South El Camino Real, Suite 345  
San Mateo, CA 94402  
SEC filing #8-69751  
Firm ID #283409