



### OATH OR AFFIRMATION

I, Kevin Castellano, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Mathews South, LLC, as of 0930/21, 2\_\_\_\_, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.

NOTARY PUBLIC  
LOOSE CERTIFICATE  
ATTACHED

*NA.26.2021*

Notary Public

Signature: 

Title:

Chief Financial Officer & Chief Compliance Officer

#### This filing\*\* contains (check all applicable boxes):

- (a) Statement of financial condition.
- (b) Notes to consolidated statement of financial condition.
- (c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income (as defined in § 210.1-02 of Regulation S-X).
- (d) Statement of cash flows.
- (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- (f) Statement of changes in liabilities subordinated to claims of creditors.
- (g) Notes to consolidated financial statements.
- (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (t) Independent public accountant's report based on an examination of the statement of financial condition.
- (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- (z) Other: \_\_\_\_\_

\*\*To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.



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 Santa Clara

Subscribed and sworn to (or affirmed) before me on this 26th day of November, 2021, by  
Date Month Year

(1) Kevin Castellano

(and (2) None),  
Name(s) of Signer(s)

proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Signature [Handwritten Signature]  
Signature of Notary Public



Place Notary Seal and/or Stamp Above

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 or Affirmation

Document Date: November 26, 2021 Number of Pages: 1

Signer(s) Other Than Named Above: None



**MATTHEWS SOUTH, LLC**  
Report Pursuant to Rule 17a-5(d)  
Year Ended September 30, 2021

# Matthews South, LLC

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September 30, 2021

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

To the Member and the Board of Directors of  
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, 2021, the related statements of operations, changes in member's equity, and cash flows for the year then ended, 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, 2021, 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.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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 24, 2021

We have served as the Company's auditor since 2016.

**Matthews South, LLC**  
Statement of Financial Condition  
September 30, 2021

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**ASSETS**

Cash and cash equivalents	\$ 27,135,020
Receivable from parent	17,580
Prepaid expenses	<u>5,265</u>
<b>Total Assets</b>	<b><u>\$ 27,157,865</u></b>

**LIABILITIES AND MEMBER'S EQUITY**

**LIABILITIES**

Accounts payable and accrued liabilities	<u>\$ 41,564</u>
<b>Total Liabilities</b>	<b>41,564</b>

Commitments and contingencies (Note 4)

**MEMBER'S EQUITY**

	<u>27,116,301</u>
<b>Total Liabilities and Member's Equity</b>	<b><u>\$ 27,157,865</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, 2021

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<b>Revenues</b>	
M & A advisory fees	<u>\$ 31,930,466</u>
<b>Total revenues</b>	31,930,466
<b>Expenses</b>	
Transaction based expenses	3,274,500
Incremental allocation services fee	67,500
Legal and professional fees	69,052
Regulatory fees	70,043
Technology, data and communication expenses	9,165
State and local income taxes	26,993
Other operating expenses	<u>1,199</u>
<b>Total expenses</b>	<u>3,518,452</u>
<b>Net income</b>	<u><u>\$ 28,412,014</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, 2021

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<b>Beginning Balance, October 1, 2020</b>	<b>\$ 10,004,287</b>
Capital distribution	(11,300,000)
Net income	<u>28,412,014</u>
<b>Ending Balance, September 30, 2021</b>	<b><u><u>\$ 27,116,301</u></u></b>

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

**Matthews South, LLC**  
Statement of Cash Flows  
For the Year Ended September 30, 2021

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<b>Cash Flows from Operating Activities</b>	
Net income	\$ 28,412,014
Adjustments to reconcile net income to net cash used in operating activities:	
Increase in receivable from parent	(17,580)
Decrease in prepaid expenses	15,534
Decrease in accounts payable and accrued expenses	(16,072)
Net cash provided by operating activities	<u>28,393,896</u>
<b>Cash Flows from Financing Activities</b>	
Distribution to member	(11,300,000)
Net cash used in financing activities	<u>(11,300,000)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	17,093,896
Cash and Cash Equivalents, Beginning of Year	10,041,124
Cash and Cash Equivalents, End of Year	<u><u>\$ 27,135,020</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, 2021

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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 the majority 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 various times during the year have exceeded federally insured limits of \$250,000.

#### **Use of Estimates**

The preparation of financial statements in conformity with US 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.

## **Matthews South, LLC**

### **Notes to Financial Statements**

For the Year Ended September 30, 2021

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#### **Receivables**

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, Accounting for Financial Instruments – Credit Losses, which requires an organization to measure all expected credit losses for financial assets, including receivables related to revenue from contracts with customers, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The standard requires an entity to estimate its lifetime credit loss and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. This forward-looking expected loss model generally will result in the earlier recognition of allowances for losses. The Company adopted this ASU effective October 1, 2020 with no material impact on its financial statements.

The Company takes into consideration the composition of the receivables, current economic conditions, the estimated net realizable value of the underlying collateral, historical loss experience, delinquency, and bankrupt accounts when determining management's estimate of probable credit losses and the adequacy of the allowance for credit losses. Any receivables deemed uncollectible are written off against the allowance. The Company did not have receivables related to contracts with customers or financial assets for which an allowance for credit losses was necessary at September 30, 2020 or September 30, 2021.

#### **Revenue Recognition**

The Company follows the guidance in FASB ASC 606, *Revenue from Contracts with Customers*, which requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance requires an entity to follow a five-step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

## **Matthews South, LLC**

### **Notes to Financial Statements**

**For the Year Ended September 30, 2021**

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The Company earns revenue from financial advisory services including fees generated in connection with mergers, acquisitions, and restructuring transactions. Such revenue and fees are primarily recorded at a point in time when services for the transactions are completed and income is reasonably determinable, generally as set forth under the terms of the engagement. Payment for advisory services is generally due upon completion of the transaction. Retainer fees and fees earned from certain advisory services are recognized ratably over the service period as the customer receives the benefit of the services throughout the term of each contract, and such fees are collected based on the terms of each contract. All revenues for the year ended September 30, 2021 were fully earned upon completion of each related transaction. The Company had no receivables and no contractual obligations as of September 30, 2021.

The economic factors that affect the nature, amount, timing, and uncertainty of revenue and cash flows are primarily general demand for debt and equity offerings in the United States.

#### **Operating Expenses**

Transaction expenses are borne by the Parent and are billed to the Company by the Parent when transactions close. The Company has no liability for payment until 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 an annual LLC tax and a revenue-based LLC fee from the state of California and franchise tax from the state of Delaware. The Company’s tax liability as of September 30, 2021 is \$20,367.

## **Matthews South, LLC**

Notes to Financial Statements

For the Year Ended September 30, 2021

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

The Company has an Expense Sharing Agreement (ESA) in place with its Parent. 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 and becomes payable upon receipt of corresponding fee income. Transaction-Based Expenses appear as a line item on the Statement of Operations and are made up of \$3,274,500 in invoiced personnel time and travel, meal and entertainment expenses.

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

In March 2020 the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. Since that time, the disease has continued to spread globally. While the disruption of the global economy is currently expected to be temporary, there is uncertainty around the duration of the pandemic. Therefore, the effects of the pandemic upon the Company's business, financial position, results of operations and cash flows cannot be reasonably estimated at this time.

The Company had no significant commitments or contingencies at September 30, 2021.

### **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, 2021 the Company had net capital of \$27,093,456 which was \$27,088,456 in excess of its required net capital of \$5,000 and its ratio of aggregate indebtedness to net capital was .0015 to 1.

**Matthews South, LLC**  
Notes to Financial Statements  
For the Year Ended September 30, 2021

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**NOTE 6. SUBSEQUENT EVENTS**

The Company has performed an evaluation of events that have occurred subsequent to September 30, 2021, and through November 24, 2021, the date the financial statements were available to be issued. On November 23, 2021, the Company notified FINRA and the SEC that they will be making a distribution of \$26,425,000 to the Parent on November 29, 2021.

## **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, 2021

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<b>Net Capital</b>	
Total member's equity	\$ 27,116,301
Less non-allowable assets:	
Receivable from parent	17,580
Prepaid expenses	5,265
	27,093,456
Net capital before haircuts on securities positions	27,093,456
Haircuts on securities positions	-
	\$ 27,093,456
<b>Aggregate Indebtedness</b>	<b>\$ 41,564</b>
<b>Computation of Basic Net Capital Requirement</b>	
Minimum net capital required	\$ 5,000
Excess net capital	\$ 27,088,456
Net capital in excess of 120% of required net capital	\$ 27,087,456
Ratio of aggregate indebtedness to net capital	.0015 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, 2021.

**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, 2021

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The Company does not claim exemption under Securities and Exchange Commission Rule 15c3-3 and relies on Footnote 74 of SEC Release 34-70073 adopting amendments to 17 C.F.R. §240.17a-5. The Company carries no accounts, does not hold funds or securities for, or owe money or securities to, customers. Accordingly, there are no items to report under the requirements of Rule 15c3-3.

## **Exemption Certification**



MOSSADAMS

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

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

We have reviewed management's statements, included in the accompanying Matthews South, LLC's Exemption Report (the exemption report), in which:

- 1) Matthews South, LLC does not claim an exemption under paragraph (k) of 17 C.F.R. §240.15c3-3;  
and
- 2) Matthews South, LLC states Matthews South, LLC is filing the exemption report relying on Footnote 74 of the SEC Release No. 34-70073 adopting amendments to 17 C.F.R. §240.17a-5 (Footnote 74) because, throughout the most recent fiscal year, without exception:
  - Matthews South, LLC limits its business activities exclusively to receiving transaction-based compensation on investment advisory services and referring securities transactions to other broker-dealers, and
  - Matthews South, LLC (1) did not directly or indirectly receive, hold, or otherwise owe funds or securities for or to customers, (2) did not carry accounts of or for customers, and (3) did not carry PAB accounts (as defined in Rule 15c3-3).

Matthews South, LLC's management is responsible for compliance with the provisions of Footnote 74 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 provisions of Footnote 74. 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 provisions of Footnote 74 of SEC Release No. 34-70073.

*Moss Adams LLP*

Dallas, Texas  
November 24, 2021



**MATTHEWS SOUTH, LLC  
EXEMPTION REPORT**

Matthews South, LLC (the "Company") (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 17 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 does not claim an exemption under paragraph (k) of 17 C.F.R. § 240.15c3-3, and
2. The Company is filing this Exemption Report relying on Footnote 74 of the SEC Release No. 34-70073 adopting amendments to 17 C.F.R. § 240.17a-5 because the Company limits its business activities exclusively to receiving transaction-based compensation on investment advisory services and referring securities transactions to other broker-dealers, and the Company (1) did not directly or indirectly receive, hold, or otherwise owe funds or securities for or to customers, (2) did not carry accounts of or for customers; and did not carry PAB accounts (as defined in Rule 15c3-3) throughout the most recent fiscal year without exception.

I, Kevin Castellano, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.

A handwritten signature in black ink, appearing to read "Kevin Castellano".

\_\_\_\_\_  
Kevin Castellano  
Chief Financial Officer & Chief Compliance Officer

11/19/21

\_\_\_\_\_  
Date