

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

FILING FOR THE PERIOD BEGINNING April 1, 2021 AND ENDING March 31, 2022
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: Donnelly Penman & Partners, Inc.

TYPE OF REGISTRANT (check all applicable boxes):

- ☒ Broker-dealer ☐ Security-based swap dealer ☐ Major security-based swap participant
☐ Check here if respondent is also an OTC derivatives dealer

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use a P.O. box no.)

20902 Mack Avenue, Suite 200

(No. and Street)

Grosse Pointe Woods MI

(City)

(State)

48236

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Sharon A. Schuster (313) 393-3060

(Name)

(Area Code – Telephone Number)

sschuster@donnellypenman.com

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing*

DeMarco Sciacotta Wilkens & Dunleavy, LLP

(Name – if individual, state last, first, and middle name)

20646 Abbey Woods Ct N, Suite 201 Frankfort

(Address)

(City)

IL

(State)

60423

(Zip Code)

12/21/2010

(Date of Registration with PCAOB)(if applicable)

5376

(PCAOB Registration Number, if applicable)

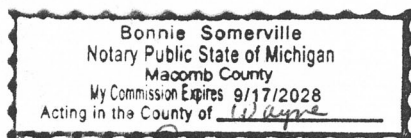
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* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Sharon A. Schuster, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Donnelly Penman & Partners, Inc., as of March 31, 2022, 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.



Bonnie Somerville
Notary Public

Signature: _____

Sharon A. Schuster

Title: _____

Chief Financial 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.

DONNELLY PENMAN & PARTNERS, INC.

FINANCIAL STATEMENTS

Fiscal Year Ended March 31, 2022

DONNELLY PENMAN & PARTNERS, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Donnelly Penman & Partners, Inc.

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Donnelly Penman & Partners, Inc. (the "Company") as of March 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the statement of financial condition presents fairly, in all material respects, the financial position of Donnelly Penman & Partners, Inc. as of March 31, 2022 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statement 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 statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that 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.

We have served as Donnelly Penman & Partners, Inc.'s auditor since 2019.

DeMarco Sciacotta Wilkens & Dunleavy LLP

Frankfort, Illinois
May 24, 2022

DONNELLY PENMAN & PARTNERS, INC.
STATEMENT OF FINANCIAL CONDITION
March 31, 2022

ASSETS

Current Assets:

Cash and cash equivalents	\$ 689,405
Accounts receivable - trade	58,750
Accounts receivable - other	2,006
Security deposit	6,908
Prepaid expenses	76,027
Notes receivable (Note 2)	5,826

Total Current Assets	<u>838,922</u>
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Property and Equipment:

Computer equipment	65,396
Furniture and fixtures	100,867
Leasehold improvements	15,000
Total	<u>181,263</u>
Less: Accumulated depreciation and amortization	<u>135,795</u>

Net Property and Equipment	<u>45,468</u>
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Other Assets:

Operating lease right-of-use, less accumulated amortization of \$49,621 (Note 1 and 3)	<u>111,265</u>
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Total Other Assets	<u>111,265</u>
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Total Assets	<u><u>\$ 995,655</u></u>
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LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:

Accounts payable	\$ 12,629
Deferred revenue (Note 1 and 5)	113,750
Accrued expenses	10,511

Total Current Liabilities	<u>136,890</u>
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Other Liabilities:

Operating lease right-of-use (Note 1 and 3)	<u>111,265</u>
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Total Liabilities	<u>248,155</u>
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Shareholders' Equity:

Common stock, no par value, 60,000 shares authorized; 11,507 shares issued and outstanding	206,862
Additional paid-in capital	11,993
Retained earnings	528,645

Total Shareholders' Equity	<u>747,500</u>
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Total Liabilities and Shareholders' Equity	<u><u>\$ 995,655</u></u>
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The accompanying notes are an integral part of these financial statements.

DONNELLY PENMAN & PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

Note 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Donnelly Penman & Partners, Inc. (the “Company”) is a closely-held corporation located in Grosse Pointe Woods, Michigan. The Company provides investment banking and financial and investment advisory services to both public and private companies. Services are organized into industry groups, with particular emphasis in manufacturing, financial services, distribution, service and retail. Investment banking services generated all the Company’s revenue in fiscal year 2022.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“GAAP”).

Concentration of Credit Risk

The Company deposits cash primarily with a major bank within the United States of America and at times throughout the year may maintain balances that exceeds federally insured limits of \$250,000 per depositor, per insured bank. The Company also maintains an account with a credit union, which is federally insured up to \$250,000, per depositor, per insured credit union. Uninsured deposits totaled approximately \$212,000 at March 31, 2022. The Company has not experienced any losses in such accounts and management believes the Company is not exposed to any unusual credit risk on cash or cash equivalents.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting year. Accordingly, actual results could differ from those estimates.

DONNELLY PENMAN & PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

Note 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Accounts Receivable - Trade

The Company extends credit to its customers in the form of accounts receivable in the ordinary course of business and generally requires no collateral. Trade accounts receivable are stated at the amount the Company expects to collect from outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on management's assessment of the current status of individual accounts. Balances that are still outstanding after the Company has attempted reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management did not consider an allowance necessary at March 31, 2022.

Property and Equipment, Depreciation and Amortization

Property and equipment are recorded at cost. Depreciation and amortization are expensed over the estimated useful lives of the related assets, using the straight-line method. Expenditures for maintenance and repairs are expensed as incurred. Management reviews these assets for impairment when circumstances or events indicate that the carrying value may not be recoverable.

The Company uses the following estimated useful lives for assets placed in service:

<u>Description</u>	<u>Asset Lives</u>
Computer equipment	3 - 5 years
Furniture and fixtures	5 - 7 years
Leasehold improvements	Lesser of lease term or estimated life

Adoption of ASC Topic 842, Leases

On January 1, 2019, the Company adopted the requirements of Accounting Standards Update (ASU) 2016-02, Leases (Topic 842) issued by the Financial Accounting Standards Board ("FASB"). The core principle of this standard is that lessees should recognize assets and liabilities arising from all leases with a term of 12 months or more. The objective of this ASU is to increase transparency and comparability between organizations that enter into lease agreements. The key differences of the new standard for operating leases from the previous guidance (Topic 840) are the recognition of a right-of-use (ROU) asset and lease liability on the balance sheet. The standard requires disclosures to meet the objective of enabling users of the financial statements to assess the amount and timing of lease expenses.

DONNELLY PENMAN & PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

Note 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Leases

Operating leases are included in operating lease right-of-use (“ROU”) assets and operating lease liabilities. ROU assets represent the Company’s right to use leased assets over the term of the lease. Lease liabilities represent the Company’s contractual obligation to make payments over the lease term.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured at the present value of the lease payments over the lease term. The Company uses the rate implicit (discount rate) in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Company uses its incremental borrowing rate at the commencement date of the lease to determine the present value of the lease payments. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. Operating ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs plus any prepayments less any accrued payments less any unamortized lease incentives received, and any impairment recognized. Lease expense is recognized on a straight-line basis over the lease term with a discount rate of 4%.

The Company has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement. The Company recognizes the lease cost associated with its short-term leases on a straight-line basis over the lease term.

Revenue Recognition

Revenues from investment banking services primarily consist of fees generated in connection with merger and acquisition, capital raising and other financial advisory services. Fees are recognized when services have been rendered based on the terms of the signed contract with the customer or when the engagement is cancelled.

Effective January 1, 2018, the Company adopted ASU 2014-09, “Revenue From Contract With Customers (Topic 606)”. See Note 5 for further information.

DONNELLY PENMAN & PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

Note 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Income Taxes

The Company, with the consent of its shareholders, has elected to have its income taxed under the provisions of Subchapter S of the Internal Revenue Code Section 1362, which provides that in lieu of corporate income taxes, the shareholders are taxed on the Company's taxable income. Therefore, no provision or liability for federal income tax is reflected in these financial statements. The Company may also be liable for other state and local income taxes in jurisdictions where it has nexus.

Management has analyzed the Company's material tax positions and has determined that no material uncertain tax positions exist that require recognition or disclosure in the accompanying financial statements. The Company is no longer subject to U.S. federal, state and local examinations by tax authorities for years before 2018.

Grant Revenue (COVID-19)

Under the Consolidated Appropriations Act (CAA) of 2021 that was approved by Congress on December 27, 2020, the Company received their second Paycheck Protection Program (PPP) loan in the amount of \$323,736. This loan was forgiven by the Small Business Administration (SBA) and recorded as grant revenue for the fiscal year ending March 31, 2022.

The CAA also gave PPP borrowers access to the Employee Retention Credit (ERC) established under the CARES Act. Due to the Company's revenue decline from 2019 levels, the Company qualified for the maximum credit for all eligible quarters. For fiscal year March 31, 2022, compensation and benefit expenses have been reduced by \$168,000 for total eligible ERC.

Note 2 – NOTES RECEIVABLE

Note receivable consists of two shareholder loans in the amount of \$5,826 at March 31, 2022 for the purchase of Company stock. The loan is uncollateralized, requires no monthly payments, has an interest rate of 3% per annum payable at maturity, and are due December 31, 2022.

DONNELLY PENMAN & PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

Note 3 – LEASE COMMITMENTS

The Company has the following operating lease at March 31, 2022:

	<u>Right of Use Balance</u>	<u>Monthly Lease Payment</u>		<u>Remaining Lease Term</u>
Office Lease	\$ 111,265	\$4,583	Year 1	2.00 years
		\$4,750	Year 2	
		\$4,917	Year 3	

<u>Fiscal Year Ending March 31</u>	<u>Commitments</u>
2023	\$ 57,000
2024	59,000
	<u>\$ 116,000</u>
	Imputed Interest (4,735)
	<u><u>\$ 111,265</u></u>

Note 4 - COMMON STOCK

The Company redeemed 2,418 shares of common stock from the retirement of one majority shareholder, the resignation of two non-majority shareholders and the redistribution amongst one majority shareholder with three non-majority shareholders for approximately \$120,000. The Company immediately sold 2,301 the shares to existing shareholders and retired 116 shares. The Company and its shareholders are party to a Shareholder Agreement (the “Agreement”) dated September 1, 2016. Under the Agreement, the Company will purchase a shareholder’s common stock at termination of employment of the shareholder. The purchase price will vary based on the reason for termination and will range between 50% and 100% of Book Value, as defined in the Agreement. The purchase price may also be reduced for the shareholder’s portion of contractual liabilities, as defined in the Agreement, existing at the time of termination. The Company also has the option to reallocate shares annually based on the discretion of the Company’s Executive Committee. The purchase price for these shares will be at 100% of Book Value.

DONNELLY PENMAN & PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

Note 5 – REVENUE

The Company earns all of its revenue from investment banking service contracts (engagements) with customers for mergers and acquisitions, capital raising and financial advisory services. The recognition and measurement of revenue is based on the assessment of individual contract terms. Significant judgement is required to determine performance obligations and whether performance obligations are satisfied at a point in time or over time. Revenue from upfront fees are amortized over time to match the continued delivery of performance obligations to the customers over an estimated period of time. Unearned revenue is recorded on the Statement of Financial Condition as deferred revenue.

The Company's investment banking engagements typically provide for a) a non-refundable up-front fee (amortized over the average six month life of an engagement); b) non-refundable monthly/quarterly fees (recognized monthly/quarterly for services performed); c) a success fee (recognized in the month a transaction successfully closes); d) consulting fees (recognized in the month that services are performed); and e) commissions (recognized upon the sale of securities offered when the Company acts as an agent). Should an engagement get cancelled, any unrecognized up-front fee is immediately recognized as income. Unrecognized up-front fees are recorded as deferred revenue. The balance at March 31, 2022 is \$113,750.

The following table presents revenue by major source:

	<u>Total</u>
Mergers and acquisitions	
Success fees	\$ 5,151,215
Non-refundable monthly/quarterly fees	607,750
Non-refundable up-front fees	399,581
Other consulting fees	<u>322,700</u>
Total mergers and acquisitions revenue	6,481,246
Capital raising - commissions	397,500
Other financial advisory services - consulting fees	271,252
Reimbursable expenses	<u>16,707</u>
Total revenue from contract with customer	<u><u>\$ 7,166,705</u></u>

Customer Concentrations

The Company had three customers that represented approximately 53% of total revenues for the fiscal year ending March 31, 2022.

DONNELLY PENMAN & PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

Note 6 - QUALIFIED RETIREMENT PLANS

The Company sponsors a profit-sharing plan (the “Plan”) with a safe-harbor provision for all employees who have attained the age of twenty-one and completed one year of service. Each year the Company may make a profit-sharing contribution to the Plan at the discretion of the Board of Directors. Contributions approved by the Board of Directors for calendar year 2021 totaled approximately \$83,000, which are included in compensation and benefits in the Statement of Operations.

Note 7 - REGULATORY REQUIREMENTS

The Company is subject to a minimum net capital rule under the Securities and Exchange Act of 1934, Rule 15c3-1 (the Rule), and computes its net capital under the alternative method permitted by the Rule, which requires the maintenance of minimum net capital, as defined, of the greater of 6-2/3% of aggregate indebtedness or a minimum amount that is based on the type of business conducted by the Company. Total required net capital under the Rule is \$9,126 at March 31, 2022. At March 31, 2022 net capital under the Rule was \$552,514, which was \$543,388 in excess of its minimum dollar amount requirement. The net capital ratio was .25 at March 31, 2022.

Note 8 - REGULATORY COMPLIANCE

The Company is a member of the Financial Industry Regulatory Authority (FINRA), the largest independent regulator for all securities firms doing business in the United States. As such, the Company is required to comply with various regulations set forth by FINRA, and from time to time is subject to FINRA examination to ensure compliance with current regulations. Any noncompliance with such rules and regulations may subject the Company to disciplinary actions, including, but not limited to, fines, suspension or possible loss of membership. Accordingly, any noncompliance could result in actions by FINRA that have a materially adverse impact on the Company’s financial position, results of operations or cash flows.

Note 9 - SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to March 31, 2022, the most recent statement of financial condition presented herein, through May 24, 2022, the date the financial statements were available to be issued. There were no such significant events or transactions identified.

* * * * *