

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

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PART III

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FACING PAGE

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

FILING FOR THE PERIOD BEGINNING 01/01/2022 AND ENDING 12/31/2022
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: McDermott Investment Services, LLC

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.)

44 East Broad Street, Suite 216

(No. and Street)

Bethlehem

PA

18018

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Jeffrey Harpel

717-249-8803

jharpel@mcdermottadvisors.com

(Name)

(Area Code – Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing*

Keiter

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

4401 Dominion Boulevard

Glen Allen

VA

23060

(Address)

(City)

(State)

(Zip Code)

10/22/2033

80

(Date of Registration with PCAOB)(if applicable)

(PCAOB Registration Number, if applicable)

FOR OFFICIAL USE ONLY

* 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.

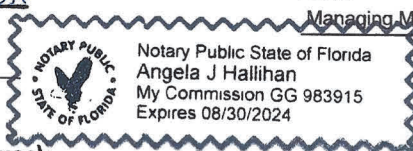
Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Dean McDermott, Managing Member, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of McDermott Investment Services, LLC, as of 12/31, 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.

Subscribed and sworn before me, this 29
day of March, 2023 a Notary Public in
and for LEE County, State of FLORIDA

Angela J Hallihan
Notary Public



Signature: [Signature]

Title:

Managing Member

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.

McDermott Investment Services, LLC

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2022

PUBLIC

SEC ID 8-68683

Filed pursuant to Rule 17a-5(e)(3) as a PUBLIC DOCUMENT

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Member of
McDermott Investment Services, LLC
Bethlehem, Pennsylvania

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of McDermott Investment Services, LLC (the “Company”) as of December 31, 2022, and the related notes (collectively referred to as the “financial statement”). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2022 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The 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 statement. 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 statement. We believe that our audit provides a reasonable basis for our opinion.

We have served as the Company’s auditor since 2022.

Glen Allen, Virginia
March 29, 2023

McDermott Investment Services, LLC
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2022

ASSETS

Cash and cash equivalents	\$ 619,570
Clearing deposits	50,000
Receivable from brokers and dealers	45,044
Accounts receivable	71,032
Property and equipment, net	1,021
Right-of-use asset, net	40,102
Other assets	<u>61,319</u>

TOTAL ASSETS \$ 888,088

LIABILITIES AND MEMBER'S EQUITY

LIABILITIES

Commissions payable	\$ 203,681
Operating lease liability	40,126
Accounts payable and accrued expenses	94,520
Other liabilities	<u>1,079</u>

TOTAL LIABILITIES 339,406

MEMBER'S EQUITY

Member's equity	<u>548,682</u>
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TOTAL LIABILITIES AND MEMBER'S EQUITY \$ 888,088

The accompanying notes are an integral part of the financial statement.

McDermott Investment Services, LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

McDermott Investment Services, LLC (the "Company") is a limited liability company organized in the State of Pennsylvania in 2010. The Company is a registered broker-dealer in securities under the Securities Act of 1934 and is a member of the Financial Industry Regulatory Authority and Securities Investor Protection Corporation. The Company provides financial and investment services to predominately retail clients. The Company operates as an introducing broker-dealer in which all brokerage activity is handled by a clearing broker, RBC Capital Markets, LLC. The Company is headquartered in Bethlehem, Pennsylvania, and has customers located throughout the United States.

BASIS OF ACCOUNTING

The financial statements of the Company have been prepared on the accrual basis of accounting and accordingly reflect significant receivables, payables and other liabilities.

CASH

The Company considers all short-term investments with original maturity of three months or less to be cash equivalents.

SECURITIES TRANSACTIONS

Securities transactions and the related revenues and expenses are recorded in the financial statements on a trade date basis.

INCOME TAXES

The Company is organized as a limited liability company and is taxed as a disregarded entity for income tax purposes. Accordingly, it is not subject to federal and state income taxes and makes no provision for income taxes in its financial statements. The taxable income or loss of the Company is includible in the income tax returns of its members.

Taxable years ended from December 31, 2019 through present are subject to IRS and other jurisdictions' tax examinations. The Company is not currently under audit by any tax jurisdiction.

INCOME TAX UNCERTAINTIES

The Company follows FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year.

McDermott Investment Services, LLC
NOTES TO FINANCIAL STATEMENT, Continued
DECEMBER 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX UNCERTANTIES (continued)

Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that Company has determined that there are no material uncertain tax positions that require recognition or disclosure in its financial statements.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LEASES

In accordance with ASU 2016-02 – Leases (Topic 842), the Company recognizes all leasing activity with initial terms in excess of twelve months on the statement of financial condition with lease liabilities and corresponding right-of-use assets based on the present value of lease payments.

ACCOUNTS RECEIVABLE

Receivable from brokers and dealers represent amounts due from its clearing broker relating to customer securities transactions introduced by the Company.

Accounts receivable represent commissions due from mutual funds, insurance companies and trust sponsors.

In accordance with ASU 2016-13 – Current Expected Credit Losses (“CECL”), the Company recognizes credit impairment losses using an expected loss model for trade and other receivables. The Company considers an allowance for credit losses based on factors surrounding the credit risk of customers, past events, current conditions, reasonable and supportable forecasts concerning the future, and other information. Management has determined that no allowance for credit losses is necessary at December 31, 2022.

SUBSEQUENT EVENTS

Management has evaluated events through March 29 2023, the date on which the financial statements were issued and has determined that no additional disclosures are necessary.

McDermott Investment Services, LLC
NOTES TO FINANCIAL STATEMENT, Continued
DECEMBER 31, 2022

NOTE 2: REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company recognizes revenue under ASU 2014-09, Revenue Recognition from Contracts with Customers ("Topic 606").

Accounts receivable from revenue from contracts with customers at December 31, 2022 and January 1, 2022 were \$116,076 and \$1,040,667, respectively. The Company had no contract assets or liabilities as of January 1, 2022 or December 31, 2022.

NOTE 3: PROPERTY AND EQUIPMENT

The Company capitalizes major capital expenditures. Depreciation is calculated on a straight-line method over the estimated useful lives of the related assets that range from two to five years.

Property and equipment at December 31, 2022 consisted of the following:

Furniture and fixtures	\$ 9,273
Equipment	15,847
Leasehold improvements	<u>2,292</u>
	27,412
Less: accumulated depreciation	<u>(26,391)</u>
Property and equipment, net	<u>\$ 1,021</u>

NOTE 4: RIGHT OF USE ASSET AND OPERATING LEASE LIABILITY

The Company's lease portfolio consists of an operating lease for office space which expires in April 2024. In accordance with ASU 2016-02, a right of use asset and lease liability are recorded on the accompanying statement of financial condition using a discount rate of 6%, the Company's estimated incremental borrowing rate. The Company elected the practical expedient to account for the non-lease components for all asset classes.

Future maturities of the operating lease liability as of December 31, 2022 are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 31,200
2024	<u>10,400</u>
	41,600
Less: discount to present value	<u>(1,474)</u>
	<u>\$ 40,126</u>

McDermott Investment Services, LLC
NOTES TO FINANCIAL STATEMENT, Continued
DECEMBER 31, 2022

NOTE 5: CREDIT AND MARKET RISK

A clearing broker-dealer carries the accounts of the Company and is responsible for the execution, collection of and payments of funds and, receipt and delivery of securities relative to customer transactions. Off-balance sheet credit risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker-dealer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the credit worthiness of its customers and that customer transactions are executed properly by the clearing broker-dealer.

At December 31, 2021, cash and cash equivalents were held on deposit at a diversified U.S. financial institution insured by the Federal Deposit Insurance Corporation. The Company's cash balance regularly exceeds the FDIC insured limit of \$250,000.

NOTE 6: CONCENTRATIONS

The Company offers a diversified array of products to investors. At December 31, 2022, two customers accounted for 74% of accounts receivable.

NOTE 7: RELATED PARTY TRANSACTIONS

The Company has an Expense Sharing Agreement (the "Agreement") with McDermott Investment Advisors, LLC (MIA). The Company and MIA are owned by the same individual. Under the Agreement, MIA will provide office space, furniture and telecommunications services to the Company and calls for the Company to pay MIA 50% of its monthly incurred expenses per the rental agreement with the landlord.

The Company provides execution services to MIA in connection with MIA's transactions at RBC Capital Markets, LLC. The Company does not charge MIA for these services.

NOTE 8: CONTINGENCIES

The Company may, from time to time, be involved in judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of the Company's business. The outcome of such matters cannot be predicted with certainty

McDermott Investment Services, LLC
NOTES TO FINANCIAL STATEMENT, Continued
DECEMBER 31, 2022

NOTE 9: REGULATORY REQUIREMENTS

The Company is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital, as defined and requires that the ratio of aggregate indebtedness, as defined, to net capital, shall not exceed 15 to 1.

At December 31, 2022 the Company had net capital of \$452,106 which was \$402,106 in excess of its required net capital of \$50,000. The Company's ratio of aggregate indebtedness to net capital was .66 to 1.

Capital withdrawals are subject to certain notification and other provisions of the net capital rules of the SEC.

The Company has no obligation under Rule 15c3-3 to prepare the Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.