DAVENPORT & COMPANY LLC AND SUBSIDIARIES

Unaudited Mid-Year Consolidated Statement of Financial Condition

June 30, 2021

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Assets		**6/30/21**
Cash and cash equivalents	$	25,379,543
Cash segregated under federal and other regulations		1,774,627
Deposits with clearing organizations and others		1,433,328
Receivable from clearing broker		13,807,802
Receivable from broker-dealers and clearing organizations		5,730
Receivable from customers		37,461
Receivable from noncustomers		11,891
Securities owned, at fair value		11,442,799
Right-of-use assets		12,788,200
Furniture, equipment, software, and leasehold improvements, net		4,677,654
Notes receivable from employees		8,000,757
Prepaid expenses and other assets		8,334,964
Total assets	$	87,694,756
Liabilities and Members' Interest		
Short-term bank loans	$	100,000
Drafts payable		1,091,942
Payable to clearing broker		256,146
Payable to broker-dealers and clearing organizations		48,113
Payable to customers		206,510
Payable to noncustomers		11,891
Securities sold, not yet purchased, at fair value		456,748
Operating lease liabilities		15,260,111
Deferred contract award		9,761,905
Accrued compensation and benefits		14,157,783
Accounts payable, accrued expenses, and other liabilities		1,901,585
Total liabilities		43,252,734
Commitments and contingent liabilities		—
Members' interest		44,442,022
Total liabilities and members' interest	$	87,694,756

See accompanying notes to consolidated statement of financial condition.

(1) Organization and Nature of Business

Davenport & Company LLC and subsidiaries (the Company) is a broker-dealer registered under the Securities Exchange Act of 1934 and an investment adviser registered under the Investment Advisers Act of 1940. The Company is a member of the New York Stock Exchange, Inc. and the Financial Industry Regulatory Authority (FINRA). The Company is a limited liability company organized under the laws of the Commonwealth of Virginia. The Company is owned by Davenport & Company of Virginia, Inc., Davenport Corp., DAVA Corp., and Davenport IV, Inc. (collectively, the Members) who have membership interests of 40%, 28%, 28%, and 4%, respectively. The liability of each Member is limited to the balances in each Member's capital account. The Company will continue indefinitely, unless dissolved earlier pursuant to the terms of the operating agreement of the Company. Davenport Financial Advisors LLC (DFA) and Davenport Trust Company (DavTrust) are wholly owned subsidiaries of Davenport & Company LLC. DFA is currently inactive and was previously engaged in the appraisal of businesses and their securities in connection with estate and gift tax, equitable distribution, acquisition advisory, the purchase and sale of listed and unlisted securities, litigation support, and other purposes. The services and responsibilities of DFA are separate from those of Davenport & Company LLC, notwithstanding the fact that DFA and Davenport & Company LLC may share employees and facilities. DavTrust is a wholly owned North Carolina corporation formed in 2009 to be the trustee of customer individual retirement accounts.

The Company is engaged in several classes of services, including principal transactions, agency transactions, investment banking, and investment advisory services, primarily to retail customers in the southeast portion of the United States.

In February 2021, the Company entered into a strategic agreement with a clearing broker, Pershing LLC. As part of the agreement, the clearing broker provides the Company with a technology platform of new tools and capabilities including an expanded array of planning and reporting services. The agreement also results in the Company becoming an introducing broker-dealer, with the clearing broker conducting certain back office operational functions. In May 2021, the Company began clearing on a fully-disclosed basis with Pershing LLC.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated statement of financial condition includes the accounts of the Company and its wholly owned subsidiaries. All material intercompany balances and transactions are eliminated in consolidation.

(b) Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

(c) Fair Value of Financial Instruments

The Company carries cash and cash equivalents, cash segregated under federal and other regulations, securities owned, and securities sold, not yet purchased at fair value. Deposits with clearing organizations, receivable from clearing broker, and other receivables from brokers-dealers and clearing organizations, receivable from customers, noncustomers, and employees, short-term bank loans, drafts payable, payable to clearing broker, payable to brokers-dealers and clearing organizations, payable to customers, and payable to noncustomers are recorded at their carrying amounts, which approximate fair value. The fair value of these items is not materially sensitive to shifts in market interest rates because of the limited term to maturity and/or variable interest rates of many of these instruments.

When instruments are traded in secondary markets and quoted market prices do not exist for such securities, the Company utilizes valuation techniques to estimate fair value. Valuation techniques may also rely on other observable inputs such as yield curves, interest rates and expected principal repayments and default probabilities. Instruments valued using these inputs are typically classified within Level 2 of the fair value hierarchy. Examples include certain municipal debt securities, and corporate debt securities. The Company utilizes prices from independent services to corroborate its estimate of fair value. Depending upon the type of security, the pricing service may provide a listed price or use other methods including broker-dealer price quotations. Positions in illiquid securities that do not have readily determinable fair values require significant judgment or estimation. For these securities, the Company uses quotes from secondary market makers to determine fair value. Securities valued using these techniques are classified within Level 3 of the fair value hierarchy.

The Company had no assets or liabilities that were measured at fair value on a nonrecurring basis as of June 30, 2021.

(d) Securities Transactions

Proprietary securities transactions in regular way trades are recorded on the trade date.

Securities owned are recorded at fair value, which is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants on the remeasurement date.

In the event of an inactive market, the fair value for certain financial instruments is derived using pricing models and other valuation techniques that involve significant management judgment. The price transparency of financial instruments is a key determinant of the degree of judgment involved in determining the fair value of the Company's financial instruments. Financial instruments for which actively quoted prices or pricing parameters are available will generally have a higher degree of price transparency than financial instruments that are thinly traded or not quoted. In accordance with U.S. generally accepted accounting principles (GAAP), the criteria used to determine whether the market for a financial instrument is active or inactive is based on the particular asset or liability. For equity securities, the Company's definition of actively traded is based on average daily volume and other market trading statistics.

(e) Income Taxes

Income taxes are not reflected in the accompanying consolidated statement of financial condition as the responsibility for income taxes is that of the Members and not of the Company. One subsidiary, DavTrust, is a C corporation and is responsible for its own income taxes. DavTrust has a deferred tax liability of $105,400 as of June 30, 2021, and it is included in accounts payable, accrued expenses, and other liabilities on the consolidated statement of financial condition.

Uncertain tax positions are required to be recognized or derecognized based on a more likely than not threshold. This applies to positions taken or expected to be taken on a tax return. The Company analyzed filing positions in all of the federal and state jurisdictions where they are required to file income tax returns, including its status as a pass-through entity. The Company believes its income tax filing positions, including its status as a pass-through entity, would be sustained on audit and does not anticipate any adjustments that would result in a material change to its consolidated financial position. Therefore, no reserves for uncertain tax positions, nor interest and penalties, have been recorded as of June 30, 2021.

(f) Furniture, Equipment, Software, and Leasehold Improvements

Furniture, equipment, software, and leasehold improvements is carried at cost less accumulated depreciation and amortization. The Company records depreciation and amortization on the straight-line method based on estimated useful lives of two years for software and the related software licenses, six years for data processing and communications equipment, and ten years for furniture and fixtures. Leasehold improvements are amortized over the lesser of the estimated useful lives of the improvements or the terms of the related leases.

(g) Notes Receivable from Employees

From time to time, the Company issues loans to employees. Some of these loans are nonnegotiable and forgiven over a predetermined period of time on a schedule determined by the Company, as long as the employee remains employed by the Company. Periodic forgiveness of the principal and interest amounts appears as noncash compensation to the employee in each monthly paycheck.

(h) Drafts Payable

Drafts payable represent amounts drawn by the Company against a bank.

(i) Use of Estimates

The preparation of consolidated statement of financial condition in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated statement of financial condition. Actual results could differ from those estimates.

(3) Cash Segregated under Federal and Other Regulations

Cash of $1,774,627 at June 30, 2021 has been segregated in a special reserve bank account for the benefit of customers under Rule 15c3-3 of the Securities and Exchange Commission (SEC).

(4) Receivable from and Payable to Clearing Broker

Amounts receivable from and payable to clearing broker represent receivables from and payables to Pershing LLC related to daily operational business.

(5) Receivable from and Payable to Broker-Dealers and Clearing Organizations

Amounts receivable from and payable to broker-dealers and clearing organizations at June 30, 2021 consisted of the following:

	2021	
	Receivable	**Payable**
Amounts receivable from/payable to clearing organizations	$ 5,730	—
Amounts receivable from/payable to other broker	—	48,113
	$ 5,730	48,113

(6) Receivable from and Payable to Customers and Noncustomers

Amounts receivable from and payable to customers and noncustomers (principally, directors of the Company) include amounts due on cash and margin transactions. Securities owned by customers and noncustomers are held as collateral for receivables. Such collateral is not reflected in the consolidated statement of financial condition and may be repledged by the Company. See further discussion of collateral at note 11.

(7) Securities Owned and Securities Sold, Not Yet Purchased

(a) Securities owned and securities sold, not yet purchased, consisted of trading securities at June 30, 2021 as follows:

	2021
Owned:	
Securities owned, at fair value:	
State and municipal obligations (primarily located in the Commonwealth of Virginia)	$ 9,563,403
Mutual funds	1,862,621
Government securities	977
Corporate bonds	411
Corporate stocks	15,387
	$ 11,442,799
Sold, not yet purchased at fair value:	
State and municipal obligations	$ 48,461
Corporate stocks	408,287
	$ 456,748

(b) Fair value disclosures are based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 inputs are unobservable inputs.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2021:

		Fair value measurements at reporting date using		
	June 30, 2021	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets:				
Trading securities:				
State and municipal obligations	$ 9,563,403	—	9,563,403	—
Government securities	977	—	977	—
Corporate bonds	411	—	411	—
Corporate stocks	15,387	15,387	—	—
Mutual funds	1,862,621	1,862,621	—	—
Total	$ 11,442,799	1,878,008	9,564,791	—
Liabilities:				
Securities sold not yet purchased:				
State and municipal obligations	$ 48,461	—	48,461	
Corporate stocks	408,287	408,287	—	—
Total	$ 456,748	408,287	48,461	—

(8) Furniture, Equipment, Software, and Leasehold Improvements

Furniture, equipment, software, and leasehold improvements at June 30, 2021 are summarized as follows:

		2021
Furniture	$	4,783,666
Equipment		5,496,764
Software		1,230,749
Leasehold improvements		6,872,482
		18,383,661
Less accumulated depreciation and amortization		13,706,007
Total furniture, equipment, software, and leasehold improvements, net	$	4,677,654

(9) Short-Term Bank Loans

The Company has a $1 million unsecured line of credit with a commercial bank. The interest rate on this line of credit is prime (3.25% at June 30, 2021) and any borrowings are payable upon demand.

Short-term bank loan balance on the unsecured line of credit was $100,000 at June 30, 2021.

(10) Subordinated Borrowings

The Company has approval from the NYSE for a Revolving Note and Cash Subordination Agreement (the Agreement) with a bank for up to $7,500,000 at prime (3.25% at June 30, 2021) + 1%. The Company must pay a commitment fee of 1/8% for any unused portion of the Agreement. There were no amounts outstanding under the Agreement as of or during the period ended June 30, 2021.

The subordinated borrowings are available in computing net capital under the SEC's Uniform Net Capital Rule (Rule 15c3-1). To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

(11) Financial Instruments

In the normal course of its business, the Company enters into various transactions involving off-balance-sheet financial instruments. These financial instruments include the purchase and sale of securities pursuant to new issuances. These transactions are used to meet the needs of customers, conduct trading activities, and manage market risks and are, therefore, subject to varying degrees of market and credit risk.

In addition, the Company has sold securities that it does not currently own and will, therefore, be obligated to purchase such securities at a future date. The Company has recorded these obligations in the consolidated statement of financial condition at the fair values of the related securities and will incur a loss if the fair value of the securities increases subsequent to the period ended June 30, 2021.

As discussed in note 1, the transition to the clearing broker (Pershing LLC) platform began in May 2021. As of June 30, 2021 there is some residual customer securities activity on the self-clearing platform used before the conversion to Pershing LLC. On the self-clearing platform, in the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The Company's residual self-clearing customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customers' accounts. In connection with these activities, the Company executes and clears customer transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions may expose the Company to off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations. The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requires the customer to deposit additional collateral or to reduce positions when necessary. The margin balance is located in receivable from customers on the consolidated statement of financial condition.

The Company has a concentration of credit risk in the Commonwealth of Virginia since a significant portion of its customer base resides in that state. This is mitigated through the Company's policy of maintaining custody of collateral for all of its margin account customers in accordance with various regulatory and internal guidelines.

(12) Leases

The Company enters into operating leases for its office space, office equipment and other assets, substantially all of which are used in connection with its operations. The lease term is generally determined based on the contractual maturity of the lease. The Company's leases have remaining terms ranging from 1 year to 7 years, some of which include renewal or termination options to extend the lease for up to 10 years and some of which include options to terminate the lease within 3 years.

For leases where the firm has the option to terminate or extend the lease, an assessment of the likelihood of exercising the option is incorporated into the determination of the lease term. Such assessment is initially performed at the inception of the lease and is updated if events occur that impact the original assessment. In addition, the Company has elected to account for any non-lease components in its real estate leases as part of the associated lease component. The Company has also elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the Company's balance sheet.

Leases are classified as operating or finance leases at the lease commencement date. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the term.

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit is not known. The Company's incremental borrowing rate is based on inquiry from a bank from which the Company borrows, and is based on the lease term, the swap curve to generate an indicative swap rate for the base rate, and a market credit spread.

An operating lease right-of-use asset is initially determined based on the operating lease liability, adjusted for initial direct costs, lease incentives and amounts paid at or prior to lease commencement. This amount is then amortized over the lease term.

For leases where the firm has ceased using the space and management has concluded that the firm will not derive any future economic benefits, the Company records an impairment of right-of-use assets. The firm recorded no such impairments during the six months ended June 30, 2021.

Future rental payments required under such leases that have initial or remaining noncancelable lease terms in excess of one year at June 30, 2021 are as follows and are presented with additional operating lease information:

Remainder of 2021	$	1,823,209
2022		3,479,385
2023		3,223,507
2024		3,041,328
2025		2,601,633
2026		2,423,363
2027 and thereafter		2,886,949
Total undiscounted lease payments		19,479,374
Imputed interest		(4,219,263)
Net operating lease liabilities	$	15,260,111
Weighted average remaining lease term		6 years
Weighted average discount rate		5.2%

(13) Commitments and Contingencies

The Company is a party to certain legal and regulatory actions arising in the normal course of business. Management of the Company, after consultation with outside legal counsel, believes that the resolution of these various actions will not result in any material adverse effects on the consolidated financial position, results of operations, or liquidity of the Company.

(14) Related Party Transactions

The Company is the managing member for several entities. These entities have assets of approximately $560,392,000 at June 30, 2021.

The Company has amounts receivable from and payable to noncustomers (principally, directors of the Company.) See further discussion of receivable from and payable to noncustomers at note 6. The Company also has notes receivable from employees. See further discussion at note 2.

(15) COVID-19

In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The virus was declared a public Health Emergency of International Concern by the World Health Organization on January 30, 2020 and on March 11, 2020 was declared a pandemic. The operations and business results of the Company could be materially adversely affected. Significant estimates may be materially adversely impacted by local, state and national restrictions and events designed to contain the coronavirus. The magnitude of the impact is likely dependent upon the length and severity of the disruption. As of the date of these financial statements, the Company's operating results were not materially adversely impacted.

(16) Net Capital Requirements and Capital Redemption Agreement

The Company is subject to the SEC Rule 15c3-1 and the rules of the New York Stock Exchange, Inc., which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by the rule, which requires that the Company and its subsidiaries maintain minimum net capital, as defined, equal to the greater of $250,000 or 2% of aggregate debit balances arising from customer transactions. The net capital rules also provide that equity capital may not be withdrawn or cash distributions paid if resulting net capital would be less than 5% of aggregate debits. At June 30, 2021, the Company's net capital, as defined, of $20,798,618 was 362,598% of aggregate debit balances and was $20,498,618 in excess of the minimum net capital required.

In accordance with North Carolina statute, the Company's subsidiary, DavTrust, has a minimum capital requirement of $1,500,000. DavTrust's stockholder's equity was $2,344,089 at June 30, 2021.

The Members have agreements with holders of all the Members' outstanding common stock, whereby the Members have the option to repurchase the stock in the event of a stockholder's death or retirement. The Company has agreements with the Members, whereby it has the option to distribute to the Members capital sufficient for the Members to complete the redemption, subject to compliance with the rules of FINRA. The purchase price for such shares and the related units of the Company are determined by the Members' boards of directors and the Company's board of managers, respectively.