DAVENPORT & COMPANY LLC AND SUBSIDIARIES

Consolidated Statements of Financial Condition

December 31, 2018 and 2017

(With Report of Independent Registered Public Accounting Firm Thereon)

DAVENPORT & COMPANY LLC AND SUBSIDIARIES

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Crowe LLP
Independent Member Crowe Global

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Members of Davenport & Company LLC and Subsidiaries
Richmond, Virginia

Opinion on the Financial Statement

We have audited the accompanying consolidated statement of financial condition of Davenport and Company LLC and Subsidiaries (the "Company") as of December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statement"). In our opinion, the consolidated financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

The consolidated statement of financial condition of the Company as of December 31, 2017, was audited by other auditors whose report dated April 5, 2018, expressed an unqualified opinion on that statement.

Basis for Opinion

This consolidated financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this 2018 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statement. We believe that our audit of the 2018 consolidated financial statement provides a reasonable basis for our opinion.

Crowe LLP

Crowe LLP

We have served as the Company's auditor since 2018.

Washington, District of Columbia
February 28, 2019

DAVENPORT & COMPANY LLC AND SUBSIDIARIES

Consolidated Statements of Financial Condition

December 31, 2018 and 2017

Assets		**2018**	**2017**
Cash and cash equivalents	$	4,356,908	4,081,600
Cash segregated under federal and other regulations		2	2
Deposits with clearing organizations and others		5,223,097	3,469,958
Receivable from broker-dealers and clearing organizations		486,080	848,398
Receivable from customers		80,294,100	79,194,184
Receivable from noncustomers		2,290,938	1,295,525
Securities owned, at fair value		16,627,161	16,921,551
Furniture, equipment, software, and leasehold improvements, net		4,420,569	2,674,409
Notes receivable from employees		5,449,920	5,432,264
Prepaid expenses and other assets		9,377,909	9,665,704
Total assets	$	128,526,684	123,583,595
Liabilities and Members' Interest			
Short-term bank loans	$	11,185,000	4,595,000
Drafts payable		12,427,473	13,803,748
Payable to broker-dealers and clearing organizations		8,268,735	1,970,265
Payable to customers		31,133,054	38,265,124
Payable to noncustomers		142,720	352,526
Securities sold, not yet purchased, at fair value		255,824	7,261
Accounts payable, accrued expenses, and other liabilities		15,921,636	15,385,085
Total liabilities		79,334,442	74,379,009
Commitments and contingent liabilities		—	—
Members' interest		49,192,242	49,204,586
Total liabilities and members' interest	$	128,526,684	123,583,595

See accompanying notes to consolidated statements of financial condition.

DAVENPORT & COMPANY LLC AND SUBSIDIARIES

Notes to Consolidated Statements of Financial Condition

December 31, 2018 and 2017

(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 47%, 26%, 25%, and 2%, 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 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.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Recently Adopted Accounting Guidance

On January 1, 2018, Davenport adopted the new accounting standard for Financial Instruments, which requires investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value. Equity securities in 2017 were carried at cost and held as available for sale as part of securities, whereas in 2018 equity securities are carried at fair value with a balance of $891,286 in securities owned.

(c) Recently Issued Accounting Guidance

In February 2016, the FASB issued ASU 2016-02, Topic 842, "Leases." This amended existing guidance and requires lessees to recognize for all leases, with the exception of short-term leases, at the commencement date a lease liability and a right-of use asset. A lease liability is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis. A right-of-use asset is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting

model and Topic 606, Revenue from Contracts with Customers. The new guidance also requires enhanced disclosure about an entity's leasing arrangements.

The Company will adopt Topic 842 in the first quarter of 2019, as required for public business entities. An entity may adopt the new guidance by either restating prior periods and recording a cumulative effect adjustment at the beginning of the earliest comparative period presented or by recording a cumulative effect adjustment at the beginning of the period of adoption. The Company plans to use the modified retrospective approach by recording a cumulative effect adjustment at the beginning of the period of adoption.

The new guidance includes a number of optional transition-related practical expedients. The practical expedients relate to the identification and classification of leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. An entity that elects to apply these practical expedients will, in effect, continue to account for leases that commence before the effective date in accordance with previous U.S. generally accepted accounting principles (GAAP) unless the lease is modified, except that lessees are required to recognize a right-of-use asset and a lease liability for all operating leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous GAAP.

The effect of adopting this standard will be an approximate $16,629,000 increase in assets and liabilities on the Company's consolidated statements of financial condition. Net capital will be reduced by approximately $2,718,000 upon adoption.

(d) Cash and Cash Equivalents

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

(e) 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 and other receivables from brokers-dealers and clearing organizations, receivable from customers, noncustomers, and employees, short-term bank loans, drafts payable, 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 December 31, 2018 or 2017.

(f) Securities Transactions

Proprietary securities transactions in regular way trades are recorded on the settlement date, which is not materially different from 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.

(g) Income Taxes

Income taxes are not reflected in the accompanying consolidated statements 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 current income tax payable of $7,100 and a deferred tax liability of $5,800 as of December 31, 2018, and a current income tax receivable of $300 and a deferred tax liability of $33,200 as of December 31, 2017.

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 only periods subject to examination for federal and state tax returns are 2015 through 2018. 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 December 31, 2018 and 2017.

(h) 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, four years for quotation equipment, 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.

(i) 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 appear as noncash compensation to the employee in each monthly paycheck.

(j) Drafts Payable

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

(k) Use of Estimates

The preparation of consolidated statements 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 statements of financial condition. Actual results could differ from those estimates.

(l) Reclassifications

Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year members' interest.

(3) Cash Segregated under Federal and Other Regulations

Cash of $2 at December 31, 2018 and 2017, 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 Broker-Dealers and Clearing Organizations

Amounts receivable from and payable to broker-dealers and clearing organizations at December 31, 2018 and 2017, consisted of the following:

	2018	
	Receivable	**Payable**
Securities failed to deliver/receive	$ 20,220	136,708
Amounts receivable from/payable to clearing broker	—	106,030
Amounts receivable from/payable to clearing organizations	—	7,643,167
Amounts receivable from/payable to other broker	465,860	382,830
	$ 486,080	8,268,735

	2017	
	Receivable	**Payable**
Securities failed to deliver/receive	$ 9,968	37,223
Amounts receivable from/payable to clearing broker	—	190,259
Amounts receivable from/payable to clearing organizations	—	1,029,017
Amounts receivable from/payable to other broker	838,430	713,766
	$ 848,398	1,970,265

(5) 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 statements of financial condition and may be repledged by the Company. See further discussion of collateral at notes 8 and 10.

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

(a) Securities owned and securities sold, not yet purchased, consisted of trading securities at December 31, 2018 and 2017 as follows:

		2018	2017
Owned:			
Securities owned, at fair value:			
State and municipal obligations (primarily located in the Commonwealth of Virginia)	$	10,262,470	14,744,951
Certificates of deposit		760,538	759,883
Mutual funds		891,286	990,067
Corporate bonds		4,674,891	416,005
Corporate stocks		37,976	10,645
	$	16,627,161	16,921,551
Sold, not yet purchased at fair value:			
Corporate stocks	$	255,824	7,261
	$	255,824	7,261

(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 December 31, 2018:

		Fair value measurements at reporting date using		
	December 31, 2018	**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	$ 10,262,470	—	10,262,470	—
Certificates of deposit	760,538	760,538	—	—
Corporate bonds	4,674,891	—	4,674,891	—
Corporate stocks	37,976	37,976	—	—
Mutual funds	891,286	891,286	—	—
Total	$ 16,627,161	1,689,800	14,937,361	—
Liabilities:				
Securities sold not yet purchased:				
Corporate stocks	$ 255,824	255,824	—	—
Total	$ 255,824	255,824	—	—

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2017:

		Fair value measurements at reporting date using		
	December 31, 2017	**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	$ 14,744,951	—	14,744,951	—
Certificates of deposit	759,883	759,883	—	—
Corporate bonds	416,005	—	416,005	—
Corporate stocks	10,645	10,645	—	—
Mutual funds	990,067	990,067	—	—
Total	$ 16,921,551	1,760,595	15,160,956	—
Liabilities:				
Securities sold not yet purchased:				
Corporate stocks	$ 7,261	7,261	—	—
Total	$ 7,261	7,261	—	—

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

Furniture, equipment, software, and leasehold improvements are summarized as follows:

		2018	2017
Furniture	$	3,937,415	3,777,505
Equipment		5,533,798	5,273,461
Software		1,207,743	1,207,743
Leasehold improvements		5,971,545	4,030,714
		16,650,501	14,289,423
Less accumulated depreciation and amortization		12,229,932	11,615,014
Total furniture, equipment, software, and leasehold improvements, net	$	4,420,569	2,674,409

(8) Short-Term Bank Loans

Short-term bank loans are used to finance loans to customers and noncustomers who have purchased securities under margin agreements and to finance trading and investment securities. These loans are generally made at the short-term collateralized borrowing rate (3.39% and 2.43% at December 31, 2018 and December 31, 2017, respectively) and are payable on demand. In addition, the Company has a $1 million unsecured line of credit with a commercial bank. The interest rate on this line of credit is prime (5.50% and 4.50% at December 31, 2018 and 2017, respectively) and any borrowings are payable upon demand.

Short-term bank loans and related collateral pledged at December 31, 2018 and 2017 were as follows:

		Loans		Collateral	
		2018	2017	2018	2017
Collateralized by company securities	$	11,085,000	4,495,000	12,862,780	12,315,027
Collateralized by customer securities		—	—	—	—
Collateralized by noncustomer securities		—	—	8,355,124	2,399,168
Unsecured line of credit		100,000	100,000	—	—
	$	11,185,000	4,595,000	21,217,904	14,714,195

(9) 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 (5.50% and 4.50% at December 31, 2018 and 2017, respectively) + 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 years ended December 31, 2018 or 2017, respectively.

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.

(10) 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 statements 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 year-end.

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 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 significant 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 statements of financial condition.

The Company's customer financing and securities settlement activities require the Company to pledge customer securities as collateral in support of various secured financing sources such as bank loans and securities loaned. In the event the counterparty is unable to meet its contractual obligation to return customer securities pledged as collateral, the Company may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its customer obligations. The Company controls this risk by monitoring the fair value of securities pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposure. In addition, the Company establishes credit limits for such activities and monitors compliance on a daily basis.

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.

(11) Commitments and Contingencies

The Company leases its office space and certain office equipment and software under operating leases expiring at various dates through 2027. Minimum future rental payments required under such leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2018 are as follows:

2019	$	3,406,928
2020		3,290,318
2021		3,063,677
2022		2,744,286
2023		2,684,880
2024 and thereafter		8,488,768
Total minimum lease payments	$	23,678,857

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.

(12) Related Party Transactions

The Company is the managing member for several entities. These entities have assets of approximately $496,083,000 and $532,354,000 at December 31, 2018 and 2017, respectively.

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 5. The Company also has notes receivable from employees. See further discussion at note 2.

(13) 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 December 31, 2018, the Company's net capital, as defined, of $24,681,174 was 29% of aggregate debit balances and was $22,981,668 in excess of the minimum net capital required. At December 31, 2017, the Company's net capital, as defined, of

$24,685,785 was 31% of aggregate debit balances and was $23,086,407 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 $1,803,714 and $1,862,508 at December 31, 2018 and 2017, respectively.

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.

During the years ended December 31, 2018 and 2017, cash distributions of Members' interests were as follows:

		2018	2017
Income accumulated in prior year distributed to members during the current year	$	8,502,120	6,289,113
Income accumulated in the current year distributed to members during the current year		10,172,930	9,394,020
Repurchase of members' units for redemption of members' common stock		1,133,393	570,052
Total cash distributions of members' interest	$	19,808,443	16,253,185