DAVENPORT & COMPANY LLC AND SUBSIDIARY

Unaudited Mid-Year Consolidated Statement of Financial Condition

June 30, 2023

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Assets		**6/30/23**
Cash and cash equivalents	$	18,916,007
Deposits with clearing organizations and others		1,103,469
Receivable from clearing broker		3,138,628
Receivable from broker-dealers		1,467,413
Securities owned, at fair value		29,941,865
Right-of-use assets		11,539,009
Furniture, equipment, software, and leasehold improvements, net		4,757,058
Notes receivable from employees		15,079,526
Fees receivable		5,291,414
Prepaid expenses and other assets		5,806,801
Total assets	$	97,041,190
Liabilities and Members’ Interest		
Short-term bank loans	$	100,000
Drafts payable		543,149
Operating lease liabilities		13,528,855
Deferred contract award, net		6,904,762
Accrued compensation and benefits		14,051,318
Accounts payable, accrued expenses, and other liabilities		1,805,521
Subordinated loans		11,700,000
Total liabilities		48,633,605
Members’ interest		48,407,585
Total liabilities and members' interest	$	97,041,190

See accompanying notes to consolidated statement of financial condition.

(1) Organization and Nature of Business

Davenport & Company LLC and subsidiary (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 34%, 29%, 30%, and 7%, 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) is a wholly owned subsidiary 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.

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 eastern portion of the United States.

The Company, as an introducing broker dealer, maintains its accounts on a fully disclosed basis with the Company's clearing broker (the "Clearing Broker"), and accordingly, the Company is exempt under provisions of SEC Rule 15c3-3(k)(2)(ii).

(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 subsidiary. 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 and securities owned at fair value. Deposits with clearing organizations and others, receivable from clearing broker, receivable from employees, fees receivable, receivable from broker-dealers, short-term bank loans, and drafts payable 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, U.S. agency 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, 2023.

(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.

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, 2023.

(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. As a part of a program established primarily to recruit and retain certain 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. These loans are contingent on the employees' continued employment with the Company and generally require repayment if employees leave during a contractual service period. These loans generally amortize over a contractual service period of 3 to 6 years from the initial date of the loan and amounts related to accrued interest are reported in the same balance sheet line item as the other elements of the loan's amortized cost. The outstanding loan generally becomes due on demand in the event the employee departs during the service period. The Company estimates the allowance for credit losses by considering credit quality indicators and the recoverability of an outstanding loan balance from employees that left the Company. A loan would be placed on non-accrual status when, based on current information, it is probable that the Company will be unable to collect scheduled payments of principal and interest when due according to the contractual terms of the underlying loan agreement. The amortized cost basis of these loans would be written-off against the allowance for credit losses when management deems the amount to be uncollectible.

(h) Fees and Other Miscellaneous Receivables

Included in fees receivable on the consolidated statement of financial condition are investment banking financial advisor fees receivable, investment advisory fees receivable, and mutual fund and 12b-1 fees receivable.

Included in prepaid expenses and other assets on the consolidated statement of financial condition are other miscellaneous receivables.

The Company estimates an allowance for credit losses using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. There is no allowance as management believes all amounts are fully collectible.

(i) Drafts Payable

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

(j) 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) Receivable from Clearing Broker and Broker-Dealers

Amounts receivable from clearing broker represent receivables from the Clearing Broker related to daily operational business. Because of daily settlement, the amount of unsettled credit exposures is limited to the amount owed the Company for a very short period of time. The Company continually reviews the credit quality of its counterparties. Amounts receivable from broker-dealers represent payable for unsettled trades of securities owned.

(4) Securities Owned

(a) Securities owned consisted of trading securities at June 30, 2023 as follows:

	2023
Owned:	
Securities owned, at fair value:	
State and municipal obligations (primarily located in the Commonwealth of Virginia)	$ 6,354,018
U.S. Treasuries	14,684,200
U.S. Agencies	6,417,084
Certificates of Deposit	159,956
Mutual funds	1,106
Corporate bonds	2,310,498
Corporate stocks	14,778
Other	225
	$ 29,941,865

(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, 2023:

		Fair value measurements at reporting date using		
	June 30, 2023	**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	$ 6,354,018	—	6,354,018	—
U.S. Treasuries	14,684,200	14,684,200	—	—
U.S. Agencies	6,417,084	—	6,417,084	—
Certificates of deposit	159,956	—	159,956	—
Corporate bonds	2,310,498	—	2,310,498	—
Corporate stocks	14,778	14,778	—	—
Other	225	—	225	—
Mutual funds	1,106	—	—	—
Total	$ 29,941,865	14,698,978	15,241,781	—

The Company’s investments in mutual funds are valued at net asset value as a practical expedient.

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

Furniture, equipment, software, and leasehold improvements at June 30, 2023 are summarized as follows:

		2023
Furniture	$	5,393,259
Equipment		4,894,286
Software		1,344,090
Leasehold improvements		7,333,483
		18,965,118
Less accumulated depreciation and amortization		14,208,060
Total furniture, equipment, software, and leasehold improvements, net	$	4,757,058

(6) Short-Term Bank Loans

The company has a secured line of credit with a commercial bank. Short term bank loans are collateralized by securities held at the bank and are payable upon demand. The secured loans are also available for intraday loan purposes. Secured loans bear interest at 1.0% plus the bank's overnight rate, and intraday loans bear interest at 1.0%. There were $100,000 in short-term bank loans outstanding as of June 30, 2023.

(7) Subordinated Borrowings

The Company entered into a Subordinated Loan Agreement with an employee-shareholder on November 30, 2021 for $7,000,000 maturing on November 30, 2026. During 2022, the Company entered into Subordinated Loan Agreements with employee-shareholders totaling $4,700,000 maturing from April 14, 2027 to October 15, 2027. Interest is payable quarterly at a rate of 9.0% per annum. The subordinated loan balance was $11,700,000 as of June 30, 2023.

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.

(8) Agreement with Clearing Broker

During 2021, the Company received $10,000,000 from the Clearing Broker as consideration to offset certain expenses incurred in connection with the strategic agreement entered into to appoint the Clearing Broker to conduct certain back office operational functions, including clearing and custody, as well as providing the Company with a technology platform of tools and capabilities including an array of planning and reporting services. Upon evaluation of the vendor contract terms, the Company recognized the incentive award received by deferring the consideration and recognizing the liability as a reduction of the associated expenses over the 7-year determined contract period of the agreement.

The Company also recognized other incentive payments from the Clearing Broker as compensation for conversion related expenses incurred and business development incentives. As a result, the Company accrued

$193,500 as miscellaneous receivables in other assets on the statement of financial condition as of June 30, 2023.

The agreement also includes an early termination fee. If a notice of termination of the agreement is delivered by either the Clearing Broker or the Company during the 7-year period, the Company would incur a termination fee of $8,400,000, should the agreement be terminated in year 3, and decreasing each year after to $900,000 in year 7. The Company has no current intention to terminate the agreement.

(9) Employee Benefit Plans

The Company has a defined contribution profit sharing plan and a 401(k) plan covering substantially all employees. Contributions to the profit sharing plan are made solely at the discretion of the board of managers. Participants in the 401(k) plan are allowed to make tax deferred contributions under Section 401(k) of the Internal Revenue Code and require the Company to make a "Safe Harbor" contribution to the plan equal to 3% of compensation. Included in accrued compensation and benefits on the statement of financial condition is $4,839,000 for the profit sharing plan and the 401(k) plan.

(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 the normal course of business, the Company introduces its customer securities transactions to the Clearing Broker for clearance on a fully disclosed basis. The agreement between the Company and the Clearing Broker provides that the Company is obligated to indemnify the Clearing Broker for customers introduced by the Company that are unable to satisfy the terms of their contracts. As of June 30, 2023, there were no significant liabilities payable to the Clearing Broker related to customer activity.

(11) 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 5 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, 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, 2023.

Future rental payments required under such leases that have initial or remaining noncancelable lease terms in excess of one year at June 30, 2023 are as follows and are presented with additional operating lease information:

Remainder of 2023	$	2,031,097
2024		3,626,138
2025		3,403,974
2026		3,200,949
2027		2,519,515
2028		228,533
Total undiscounted lease payments		15,010,206
Imputed interest		(1,481,351)
Net operating lease liabilities	$	13,528,855
Weighted average remaining lease term		4 years
Weighted average discount rate		5.0%

(12) 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.

(13) Related Party Transactions

The Company is the managing member for several entities. These entities have assets of approximately $534,472,000 at June 30, 2023.

The Company is also the advisor to several mutual funds, and $1,863,000 is included in fees receivable on the statement of financial condition.

The Company has notes receivable from employees. See further discussion at note 2. The company also has subordinated loan agreements with employee-shareholders. See further discussion at note 7.

(14) 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 maintain minimum net capital of $250,000. At June 30, 2023, the Company's net capital, as defined, of $31,184,661 was $30,934,661 in excess of the minimum net capital required.

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.