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ANNUAL AUDITED REPORT  
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Washington DC  
416

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/15 AND ENDING 12/31/15  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Davenport & Company LLC

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

901 East Cary Street, 11<sup>th</sup> Floor

Richmond (City) (No. and Street) Virginia (State) 23219 (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Robert F. Mizell (804) 780-2089

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

KPMG LLP

(Name - if individual, state last, first, middle name)

1021 East Cary Street, Suite 2000 (Address) Richmond (City) Virginia (State) 23219 (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

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## OATH OR AFFIRMATION

I, Robert F. Mizell, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Davenport & Company LLC as of December 31, 2015, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows.

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Signature

Chief Financial Officer, Executive Vice  
President  
Title

  
Notary Public

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A Copy of the SIPC Supplemental Report.
- (n) A Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\* For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**DAVENPORT & COMPANY LLC  
AND SUBSIDIARIES**

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## **Report of Independent Registered Public Accounting Firm**

The Board of Directors  
Davenport & Company LLC:

We have audited the accompanying consolidated statements of financial condition of Davenport & Company LLC and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, changes in members' interest, changes in liabilities subordinated to claims of general creditors, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Davenport & Company LLC and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The supplemental information contained in Schedules 1, 2 and 3 has been subjected to audit procedures performed in conjunction with the audit of the Company's 2015 consolidated financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the consolidated financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, the supplemental information contained in Schedules 1, 2 and 3 is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**KPMG LLP**

Richmond, Virginia  
February 26, 2016

**DAVENPORT & COMPANY LLC  
AND SUBSIDIARIES**

Consolidated Statements of Financial Condition

December 31, 2015 and 2014

<b>Assets</b>	<b>2015</b>	<b>2014</b>
Cash and cash equivalents	\$ 29,757,840	4,195,968
Cash segregated under federal and other regulations	2	2
Deposits with clearing organizations and others	3,368,983	1,827,073
Receivable from broker-dealers and clearing organizations	103,672	631,603
Receivable under securities borrowed agreements	—	7,600
Receivable from customers	73,178,969	70,468,797
Receivable from noncustomers	1,596,815	2,594,525
Marketable securities owned, at fair value	7,587,866	14,445,335
Furniture, equipment, software, and leasehold improvements, at cost	3,546,702	3,952,258
Notes receivable from employees	1,511,583	888,697
Prepaid expenses and other assets	4,936,263	8,506,506
	<u>\$ 125,588,695</u>	<u>107,518,364</u>
<b>Liabilities and Members' Interest</b>		
Short-term bank loans	\$ 100,000	3,580,000
Drafts payable	16,960,855	12,613,023
Members' interest payable	5,664,311	5,597,572
Payable to broker-dealers and clearing organizations	2,875,616	1,071,585
Payable to customers	47,515,182	32,657,648
Payable to noncustomers	364,606	103,653
Securities sold, not yet purchased, at fair value	744,296	20,484
Accounts payable, accrued expenses, and other liabilities	11,614,981	13,493,853
	85,839,847	69,137,818
Commitments and contingent liabilities	—	—
Members' interest	39,748,848	38,380,546
	<u>\$ 125,588,695</u>	<u>107,518,364</u>

See accompanying notes to consolidated financial statements.

**DAVENPORT & COMPANY LLC  
AND SUBSIDIARIES**

Consolidated Statements of Income

Years ended December 31, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>Revenues:</b>		
Investment advisory fees	\$ 80,534,935	77,254,531
Commissions	25,629,652	28,564,593
Principal transactions	4,090,889	4,704,010
Investment banking	14,994,862	12,413,686
Interest and dividends	2,861,249	2,578,823
Other	1,526,940	1,484,160
	<b>129,638,527</b>	<b>126,999,803</b>
<b>Expenses:</b>		
Employee compensation and benefits	94,597,631	92,607,284
Floor brokerage, exchange, and clearance fees	1,760,012	1,684,524
Communications and data processing	2,592,176	2,593,745
Interest	295,144	223,247
Occupancy and equipment	6,139,923	5,853,754
Other operating expenses	12,480,050	12,607,678
	<b>117,864,936</b>	<b>115,570,232</b>
Net income	<b>\$ 11,773,591</b>	<b>11,429,571</b>

See accompanying notes to consolidated financial statements.

**DAVENPORT & COMPANY LLC  
AND SUBSIDIARIES**

Consolidated Statements of Changes in Members' Interest

Years ended December 31, 2015 and 2014

	<b>Total members' interest</b>
Balance at December 31, 2013	\$ 37,505,223
Net income	11,429,571
Capital distributions	(11,410,398)
Capital contributions	2,041,287
Repurchase of members' interest	(1,185,137)
Balance at December 31, 2014	38,380,546
Net income	11,773,591
Capital distributions	(11,834,766)
Capital contributions	2,056,452
Repurchase of members' interest	(626,975)
Balance at December 31, 2015	\$ <u>39,748,848</u>

See accompanying notes to consolidated financial statements.

**DAVENPORT & COMPANY LLC  
AND SUBSIDIARIES**

**Consolidated Statements of Changes in Liabilities Subordinated to Claims of General Creditors**  
**Years ended December 31, 2015 and 2014**

	<b>Total subordinated borrowings</b>
Balance at December 31, 2013	\$ —
Increases	—
Decreases	—
Balance at December 31, 2014	—
Increases	—
Decreases	—
Balance at December 31, 2015	\$ —

See accompanying notes to consolidated financial statements.



**DAVENPORT & COMPANY LLC  
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows  
Years ended December 31, 2015 and 2014

	<b>2015</b>	<b>2014</b>
Cash flows from operating activities:		
Net income	\$ 11,773,591	11,429,571
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,090,200	1,030,762
Forgiveness of notes receivable from employees	204,887	913,297
Loss on disposal of furniture and equipment	21,025	—
Unrealized loss on securities	58,865	—
Realized gain on securities	(6,934)	—
(Increase) decrease in operating assets:		
Deposits with clearing organizations and others	(1,541,910)	(700,751)
Receivable under securities borrowed agreements	7,600	101,000
Net receivable from customers	12,147,362	(4,207,097)
Net receivable from noncustomers	1,258,663	2,597,617
Marketable securities owned and securities sold, not yet purchased, net	7,802,259	(3,774,932)
Prepaid expenses and other assets	3,570,243	4,615,832
Notes receivable from employees	(827,773)	(707,990)
Increase (decrease) in operating liabilities:		
Net payable to broker-dealers and clearing organizations	2,331,962	120,040
Accounts payable, accrued expenses, and other liabilities	(1,878,872)	(2,446,350)
Net cash provided by operating activities	36,011,168	8,970,999
Cash flows from investing activity:		
Purchase of furniture, equipment, software, and leasehold improvements	(706,181)	(554,108)
Proceeds from the sale of furniture and equipment	512	—
Purchases of securities	(1,090,909)	—
Proceeds from the sale of securities	818,000	—
Net cash used in investing activity	(978,578)	(554,108)
Cash flows from financing activities:		
Increase in drafts payable	4,347,832	3,388,070
Members' capital contributions	2,056,452	2,041,287
Distributions to members	(11,768,027)	(11,701,570)
Repurchase of member's interest	(626,975)	(1,185,137)
Decrease in short-term bank loans	(3,480,000)	(2,501,650)
Net cash used in financing activities	(9,470,718)	(9,959,000)
Net increase (decrease) in cash	25,561,872	(1,542,109)
Cash and cash equivalents at beginning of year	4,195,968	5,738,077
Cash and cash equivalents at end of year	\$ 29,757,840	4,195,968
Supplemental cash flow information – interest paid	\$ 146,867	223,247

**DAVENPORT & COMPANY LLC  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

**(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., and DAVA Corp. (collectively, the Members) who have membership interests of 56%, 23%, and 21%, 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 Davenport's individual retirement accounts.

The Company is engaged in several classes of services, including principal transactions, agency transactions, investment banking, and investment advisory services.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The consolidated financial statements include 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 and other receivables from broker-dealers and clearing organizations, receivable under securities borrowed agreements, receivable from customers, noncustomers, and employees, short-term bank loans, drafts payable, members interest payable, payable to broker-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.

**DAVENPORT & COMPANY LLC  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

**(d) *Securities Transactions***

Proprietary securities transactions in regular way trades are recorded on the settlement date, which is not materially different from the trade date. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are also recorded on the settlement date, which is not materially different from the trade date. Customers' securities transactions and related commission income and expense are reported on a trade-date basis.

Marketable 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. The Company has determined the market for certain other types of financial instruments, including certain auction rate preferred securities to be inactive as of both December 31, 2015 and 2014. As a result, the valuation of these financial instruments included management judgment in determining the relevance and reliability of market information available. The Company considered the inactivity of the market to be evidenced by several factors, including a continued decreased price transparency caused by decreased volume of trades relative to historical levels, stale transaction prices, and transaction prices that varied significantly either over time or among market makers.

When instruments are traded in secondary markets and quoted market prices do not exist for such securities, the Company utilizes valuation techniques including trader knowledge of the market 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, which include certain auction rate securities and non-publicly traded equity 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.

**DAVENPORT & COMPANY LLC  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

DavTrust, a non-broker-dealer subsidiary, holds available for sale securities carried at fair value, with changes in unrealized gains and losses recognized through equity.

**(e) *Investment Banking***

Investment banking revenues include gains, losses, and fees, net of syndicate expenses, arising from securities offerings in which the Company acts as an underwriter or agent. Investment banking revenues also include fees earned from providing merger and acquisition and financial restructuring advisory services and financial advisor fees related to services provided to tax-exempt issues. Investment banking management fees are recorded on the settlement date. Also, sales concessions are recorded on settlement date and underwriting fees are recognized at the time the underwriting is completed and the income is reasonably determinable.

**(f) *Investment Advisory Services***

Fee income for investment advisory services is recorded on the accrual basis based on the fair value of managed assets. Fees are computed and collected quarterly based upon fee schedules and average month-end portfolio values.

**(g) *Income Taxes***

Income taxes are not reflected in the accompanying consolidated financial statements 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 had current income tax expense of \$10,200 and deferred income tax benefit of \$11,800 for 2015, and \$6,300 current income tax expense for 2014. DavTrust income tax expense and deferred income tax benefit are included in other operating expenses on the consolidated statements of income. DavTrust has accrued current income tax liability of \$3,800 and a deferred tax asset of \$11,800 as of December 31, 2015, and a current income tax receivable of \$1,400 as of December 31, 2014.

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 2012 through 2015. 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, 2015 and 2014.

The Bipartisan Budget Act of 2015 provides that any tax adjustments resulting from partnership audits will generally be determined, and any resulting tax, interest and penalties collected, at the partnership level for tax years beginning after December 31, 2017. The Bipartisan Budget Act of 2015 allows a partnership to elect to apply these provisions to any return of the partnership filed for partnership taxable years beginning after the date of the enactment, November 2, 2015. The

**DAVENPORT & COMPANY LLC  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

Partnership does not intend to elect to apply these provisions for any tax return filed for partnership taxable years beginning before January 1, 2018.

**(h) Furniture, Equipment, Software, and Leasehold Improvements**

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) Drafts Payable**

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

**(j) 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 is included in employee compensation and benefits on the consolidated statements of income, and it appears as noncash compensation to the employee in each monthly paycheck.

**(k) Use of Estimates**

The preparation of consolidated financial statements 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to estimates and assumptions include the fair value of investments and other contingencies.

**(3) Cash Segregated under Federal and Other Regulations**

Cash of \$2 at December 31, 2015 and 2014 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).

**DAVENPORT & COMPANY LLC  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

**(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, 2015 and 2014, consisted of the following:

	2015	
	Receivable	Payable
Securities failed to deliver/receive	\$ 8,549	88,690
Amounts receivable from/payable to clearing broker	—	54,258
Amounts receivable from/payable to clearing organizations	—	2,697,217
Amounts receivable from/payable to other broker	95,123	35,451
	\$ 103,672	2,875,616
	2014	
	Receivable	Payable
Securities failed to deliver/receive	\$ 50,274	22,064
Amounts receivable from/payable to clearing broker	—	20,593
Amounts receivable from/payable to clearing organizations	—	840,057
Amounts receivable from/payable to other broker	581,329	188,871
	\$ 631,603	1,071,585

The Company clears certain of its transactions through another broker-dealer on an omnibus basis. The amount payable to the clearing broker relates to the aforementioned transactions and is collateralized by securities owned by the Company.

**(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 financial statements and may be repledged by the Company. See further discussion of collateral at notes 8 and 12.

**DAVENPORT & COMPANY LLC  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

**(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, 2015 and 2014 as follows:

	<b>2015</b>	<b>2014</b>
Owned:		
Marketable securities, at fair value:		
State and municipal obligations (primarily located in the Commonwealth of Virginia)	\$ 5,078,951	12,567,903
Auction rate preferred securities	90,000	90,000
Certificates of deposit	758,575	1,255,925
Mutual Funds	717,797	—
Corporate bonds	449,649	351,248
Corporate stocks	492,894	180,259
	\$ 7,587,866	14,445,335
Sold, not yet purchased at fair value:		
Corporate bonds	738,256	—
Corporate stocks	\$ 6,040	20,484
	\$ 744,296	20,484

- (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.

**DAVENPORT & COMPANY LLC  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2015:

	December 31, 2015	Fair value measurements at reporting date using		
		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	\$ 5,078,951	—	5,078,951	—
Auction rate preferred securities	90,000	—	—	90,000
Certificates of deposit	758,575	758,575	—	—
Mutual funds	717,797	717,797	—	—
Corporate bonds	449,649	—	449,649	—
Corporate stocks	492,894	14,457	—	478,437
Total	<u>\$ 7,587,866</u>	<u>1,490,829</u>	<u>5,528,600</u>	<u>568,437</u>
Liabilities:				
Securities sold not yet purchased:				
Corporate bonds	738,256	738,256	—	—
Corporate stocks	\$ 6,040	6,040	—	—
	<u>\$ 744,296</u>	<u>744,296</u>	<u>—</u>	<u>—</u>



**DAVENPORT & COMPANY LLC  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2014:

	December 31, 2014	Fair value measurements at reporting date using		
		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	\$ 12,567,903	—	12,567,903	—
Auction rate preferred securities	90,000	—	—	90,000
Certificates of deposit	1,255,925	1,255,925	—	—
Corporate bonds	351,248	—	351,248	—
Corporate stocks	180,259	17,605	—	162,654
Total	<u>\$ 14,445,335</u>	<u>1,273,530</u>	<u>12,919,151</u>	<u>252,654</u>
Liabilities:				
Securities sold not yet purchased:				
Corporate stocks	\$ 20,484	20,484	—	—
	<u>\$ 20,484</u>	<u>20,484</u>	<u>—</u>	<u>—</u>

The following table summarizes Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2015:

Assets:	
Beginning balances as of January 1, 2015	\$ 252,654
Total realized and unrealized gains included in net income	—
Purchase into Level 3	315,783
Ending balance as of December 31, 2015	<u>\$ 568,437</u>
Net unrealized gains included in net income for the year relating to assets held at December 31, 2015	<u>\$ —</u>

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy during the year ended December 31, 2015.

**DAVENPORT & COMPANY LLC  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

The following table summarizes Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2014:

Assets:	
Beginning balances as of January 1, 2014	\$ 251,668
Total realized and unrealized gains included in net income	—
Purchase into Level 3	986
Ending balance as of December 31, 2014	<u>\$ 252,654</u>
Net unrealized gains included in net income for the year relating to assets held at December 31, 2014	<u>\$ —</u>

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy during the year ended December 31, 2014.

The Company had no assets or liabilities that were measured at fair value on a nonrecurring basis as of December 31, 2015 or 2014.

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

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

	<u>2015</u>	<u>2014</u>
Furniture	\$ 3,512,930	3,964,825
Equipment	4,795,868	4,689,305
Software	1,021,827	1,079,227
Leasehold improvements	3,989,038	3,932,289
	<u>13,319,663</u>	<u>13,665,646</u>
Less accumulated depreciation and amortization	9,772,961	9,713,388
Total furniture, equipment, software, and leasehold improvements, net	<u>\$ 3,546,702</u>	<u>3,952,258</u>

**(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 (1.27% and 1.09% at December 31, 2015 and December 31, 2014, 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 (3.50% and 3.25% at December 31, 2015 and December 31, 2014, respectively) and any borrowings are payable upon demand. Interest expense was approximately \$147,000 and \$223,000 for the years ended December 31, 2015 and 2014, respectively.

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Notes to Consolidated Financial Statements

December 31, 2015 and 2014

Short-term bank loans and related collateral outstanding at December 31, 2015 and 2014 were as follows:

	Loans		Collateral	
	2015	2014	2015	2014
Collateralized by company securities	\$ —	3,480,000	4,667,776	11,641,412
Collateralized by customer securities	—	—	—	1,350,434
Collateralized by noncustomer securities	—	—	1,080,960	704,077
Unsecured line of credit	100,000	100,000	—	—
	<u>\$ 100,000</u>	<u>3,580,000</u>	<u>5,748,736</u>	<u>13,695,923</u>

**(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 (3.50% and 3.25% at December 31, 2015 and 2014, 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, 2015 or 2014, 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) 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. Profit sharing contributions approximated \$3,961,000 and \$3,739,000 for the years ended December 31, 2015 and 2014, respectively. 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. The 401(k) plan expense was approximately \$1,679,000 and \$1,616,000 for the years ended December 31, 2015 and 2014, respectively.

**(11) Securities Borrowing Activities**

Securities borrowed are generally reported as collateralized financing transactions and are recorded in the accompanying consolidated statements of financial condition at the amount of cash collateral advanced. Securities borrowed transactions require the Company to deposit cash with the lender. The Company monitors the fair value of securities borrowed on a daily basis, with additional collateral obtained or refunded as necessary.

Cash deposited with lenders under securities borrowing agreements totaled \$0 and \$7,600 at December 31, 2015 and 2014, respectively. The fair value of the underlying securities used by the Company primarily to

**DAVENPORT & COMPANY LLC  
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Notes to Consolidated Financial Statements

December 31, 2015 and 2014

effectuate short sales by customers approximated \$0 and \$7,184 at December 31, 2015 and 2014, respectively.

**(12) 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 financial statements 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 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

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Notes to Consolidated Financial Statements

December 31, 2015 and 2014

maintaining custody of collateral for all of its margin account customers in accordance with various regulatory and internal guidelines.

**(13) Commitments and Contingencies**

The Company leases its office space and certain office equipment and software under operating leases expiring at various dates through 2022. Minimum future rental payments required under such leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2015 are as follows:

2016	\$	3,424,248
2017		3,194,292
2018		3,118,022
2019		2,667,185
2020		2,427,010
2021 and thereafter		<u>2,300,216</u>
Total minimum lease payments	\$	<u><u>17,130,973</u></u>

Rental expense was approximately \$3,674,000 and \$3,585,000 for the years ended December 31, 2015 and 2014, respectively.

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) Variable Interest Entities (VIEs)**

The Company has determined that several entities in which it is the managing member meets the definition of a VIE. However, Davenport is not the primary beneficiary and accordingly does not consolidate the funds. These entities have assets of approximately \$394,291,000 and \$453,385,000 at December 31, 2015 and 2014, respectively. Management fees and incentive allocations received by the Company from these entities were approximately \$6,800,000 and \$8,810,000 for the years ended December 31, 2015 and 2014, respectively.

**DAVENPORT & COMPANY LLC  
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Notes to Consolidated Financial Statements

December 31, 2015 and 2014

**(15) Net Capital Requirements and Capital Redemption Agreement**

The Company is subject to the SEC Rule 15c3-1 and 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, 2015, the Company's net capital, as defined, of \$25,586,556 was 28% of aggregate debit balances and was \$23,729,258 in excess of the minimum net capital required. At December 31, 2014, the Company's net capital, as defined, of \$23,435,824 was 23% of aggregate debit balances and was \$21,367,333 in excess of the minimum net capital required.

The Members have agreements with holders of all their 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, 2015 and 2014, cash distributions of Members' interests were as follows:

	<u>2015</u>	<u>2014</u>
Income accumulated in prior year distributed to members during the current year	\$ 5,658,747	5,869,571
Income accumulated in the current year distributed to members during the current year	6,109,280	5,831,999
Repurchase of members' units for redemption of members' common stock	<u>626,975</u>	<u>1,185,137</u>
Total cash distributions of members' interest	<u>\$ 12,395,002</u>	<u>12,886,707</u>

**(16) Subsequent Events**

The Company has evaluated subsequent events for potential recognition and/or disclosure in the December 31, 2015 financial statements through February 26, 2016, the date the consolidated financial statements were issued, noting no matters requiring disclosure.

**DAVENPORT & COMPANY LLC  
AND SUBSIDIARIES**

Computation of Net Capital under SEC Rule 15c3-1

December 31, 2015

Net capital – total members’ interest	\$	39,748,848
Deductions and other charges:		
Nonallowable assets:		
Unsecured and partly secured accounts of customers		1,641,623
Investment in affiliates		1,719,198
Securities owned, not readily marketable		478,437
Office equipment, leasehold improvements, and software licenses, less accumulated depreciation and amortization		3,546,702
Other assets		5,661,204
		13,047,164
Additional charges relating to security accounts:		
Aged fails to deliver		—
Other		520,372
		520,372
Net capital before haircuts on securities positions		26,181,312
Haircuts on securities:		
Contractual securities commitments		239,690
Bankers’ acceptances, certificates of deposit, and commercial paper		—
State and municipal government obligations		235,033
Corporate obligations		110,738
Stocks and warrants		9,295
		594,756
Net capital		25,586,556
Net capital requirement		1,857,298
Excess net capital	\$	23,729,258
Ratio of net capital to aggregate reserve formula debits		28%

Note: There are no material differences between this computation and that filed by the Company on Securities and Exchange Commission Form X-17a-5 as of December 31, 2015.

See accompanying report of independent registered public accounting firm.

**DAVENPORT & COMPANY LLC  
AND SUBSIDIARIES**

Computation for Determination of the Reserve  
Requirements under SEC Rule 15c3-3

December 31, 2015

Credit balances:

Customers, net of amounts related to short positions in customers' accounts offset by securities owned by the Company	\$ 47,515,182
Money borrowed collateralized by customer securities	29,791,673
Customers' securities failed to receive	2,840,165
Credit balances in Company accounts which are attributable to principal sales to customers	744,296
Market value of stock dividends, stock splits, and similar distributions receivable outstanding over 30 calendar days	—
Market value of short securities and credits in all suspense accounts over 30 calendar days	250,410
Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent during the 40 days	250,000
Total credits	<u>81,391,726</u>

Debit balances:

Debit balances in customers' cash and margin accounts, excluding unsecured and partly secured accounts and accounts doubtful of collection	63,073,207
Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver	—
Margin required and on deposit with the options clearing corporation for all option contracts written or purchased in customer accounts	29,791,673
	<u>92,864,880</u>
Less 3%	<u>(2,785,946)</u>
Total SEC Rule 15c3-3 debits	<u>90,078,934</u>
Excess of total SEC Rule 15c3-3 debits over total credits (no funds are required to be on deposit in Special Reserve Bank Account)	<u>\$ 8,687,208</u>

Note: There are no material differences between this computation and that filed by the Company on Securities and Exchange Commission Form X-17a-5 as of and for the year ended December 31, 2015.

See accompanying report of independent registered public accounting firm.



**DAVENPORT & COMPANY LLC  
AND SUBSIDIARIES**

Information Relating to the Possession or  
Control Requirements under SEC Rule 15c3-3

December 31, 2015

<p>1. Customers' fully paid and excess margin securities not in the Company's possession or control as of the report date (for which instructions to reduce possession or control had been issued as of the report date, but for which the required action was not taken by the Company within the time frames specified under SEC Rule 15c3-3)</p>	<p>\$ —</p>
<p>Number of items</p>	<p>—</p>
<p>2. Customers' fully paid and excess margin securities for which instructions to reduce possession or control had not been issued as of the report date, excluding items arising from "temporary lags that result from normal business operations" as permitted under SEC Rule 15c3-3</p>	<p>\$ —</p>
<p>Number of items</p>	<p>—</p>

See accompanying report of independent registered public accounting firm.

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**DAVENPORT & COMPANY LLC  
AND SUBSIDIARIES**

Consolidated Financial Statements  
and Schedules

(Together with Report of Independent Registered Public Accounting Firm on  
Internal Control Required by SEC Rule 17a-5(g)(1))

December 31, 2015 and 2014

(With Report of Independent Registered Public Accounting Firm Thereon)

These financial statements and schedules should be deemed  
confidential pursuant to subparagraph (e)(3) of SEC Rule 17a-5