

CARY STREET PARTNERS LLC

Statements of Financial Condition

December 31, 2016 and 2015

SEC ID 8 - 66085

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PUBLIC DOCUMENT.

CARY STREET PARTNERS LLC

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Member and Board of Managers
Cary Street Partners LLC
Richmond, Virginia

We have audited the accompanying statements of financial condition of Cary Street Partners LLC (the "Company"), as of December 31, 2016 and 2015 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements. The Company is responsible for these financial statements. Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements referred to above present fairly, in all material respects, the financial condition of Cary Street Partners LLC as of December 31, 2016 and 2015 in accordance with accounting principles generally accepted in the United States of America.



February 27, 2017
Glen Allen, Virginia

CARY STREET PARTNERS LLC

Statements of Financial Condition December 31, 2016 and 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 586,368	\$ 245,275
Investments	165,613	50,666
Receivables from clearing broker	1,005,229	896,306
Other receivables	212,751	229,970
Property and equipment, net	78,638	137,222
Intangible assets, net	5,249,153	6,057,702
Other assets	<u>124,335</u>	<u>141,591</u>
Total assets	<u>\$ 7,422,087</u>	<u>\$ 7,758,732</u>
<u>Liabilities and Member's Equity</u>		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 1,050,643	\$ 876,959
Due to related party	<u>309,806</u>	<u>7,163</u>
Total liabilities	1,360,449	884,122
Member's equity	<u>6,061,638</u>	<u>6,874,610</u>
Total liabilities and member's equity	<u>\$ 7,422,087</u>	<u>\$ 7,758,732</u>

See accompanying notes to financial statements.

CARY STREET PARTNERS LLC

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Business: Cary Street Partners LLC (the "Company") is a limited liability company organized in the Commonwealth of Virginia in 2002 and is 100% owned by Cary Street Partners Holdings LLC (the "Parent Company"). The Company earns revenue from merger and acquisition advisory services as well as providing financial services to both retail and institutional clients. As a broker-dealer, the Company is subject to regulations of the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company is an introducing broker-dealer and forwards all transactions to a clearing broker-dealer on a fully disclosed basis. The Company's operations are funded by capital contributions from the Parent Company. The Parent Company has forecasted positive operating cash flow for 2017 and plans to continue to fund operations as necessary.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Risks and Uncertainties: Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of cash. The Company maintains cash and cash equivalents in broker-dealers offering protection for cash by the Securities Investor Protection Corporation ("SIPC") up to \$250,000. In addition, the Company diversifies holdings in multiple broker-dealers to reduce the exposure of exceeding the SIPC limit.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Company considers all highly liquid investments with a remaining maturity of three months or less at the time of purchase to be cash equivalents.

Fair Value of Financial Instruments: The Company follows FASB guidance with respect to fair value measurements. This guidance provides a framework for measuring fair value under GAAP, for all financial assets and liabilities measured at fair value on a recurring basis (see Note 2).

Allowance for Doubtful Accounts: The Company uses the reserve method of accounting for doubtful accounts for financial reporting. Management has determined that no allowance is necessary at December 31, 2016 and 2015.

CARY STREET PARTNERS LLC

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Property and Equipment: Property and equipment are stated at cost. Major repairs and betterments are capitalized and routine repairs and maintenance are charged to expense as incurred. The cost and related accumulated depreciation on property and equipment sold or otherwise disposed of are removed from the accounts and any gain or loss is reported in the current year's operations. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives ranging from 3 to 5 years.

Intangible Assets: Intangible assets represent the value attributable to the client lists of the Fredericksburg Wealth Management Group and Riverstone Wealth Management and the associated generation of future net profits for the Company. The intangible assets are being amortized over their expected lives of 15 and 10 years, respectively.

As required by FASB guidance, the Company performs an impairment test of the brokerage intangible, when indicators of impairment exist. The Company did not record an impairment charge for 2016 or 2015.

Income Taxes: The Company has elected to be taxed as a partnership under the provisions of the Internal Revenue Code, which provides that the member is taxed on the Company's taxable income or loss. Similar provisions apply for state income tax reporting. Accordingly, no provision for income taxes is provided in the accompanying financial statements.

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

Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the Company has no significant financial statement exposure to uncertain income tax positions at December 31, 2016 or 2015. The Company is not currently under audit by any tax jurisdiction.

CARY STREET PARTNERS LLC

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Subsequent Events: Management has evaluated subsequent events through February 27, 2017, the date the financial statements were issued, and has determined there are no subsequent events to be reported in the accompanying financial statements.

2. Fair Value Measurements:

The fair value guidance defines fair value as 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 market participants on the measurement date. The fair value guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of the three levels. These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 assets and liabilities include debt and equity securities traded in an active exchange market, as well as certain U.S. Treasury securities that are traded by dealers or brokers in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Valuation is determined using model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models and similar techniques.

CARY STREET PARTNERS LLC

Notes to Financial Statements, Continued

2. Fair Value Measurements, Continued:

Assets and liabilities measured at fair value on a recurring basis at December 31, 2016, include the following:

	Fair Value Using			Assets/Liabilities
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>at Fair Value</u>
Assets:				
Investments	\$ -	\$ -	\$ 165,613	\$ 165,613
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,613</u>	<u>\$ 165,613</u>

Assets and liabilities measured at fair value on a recurring basis at December 31, 2015, include the following:

	Fair Value Using			Assets/Liabilities
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>at Fair Value</u>
Assets:				
Investments	\$ -	\$ -	\$ 50,666	\$ 50,666
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,666</u>	<u>\$ 50,666</u>

The following table provides reconciliation between the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis in the table above that used significant unobservable inputs (Level 3):

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 50,666	\$ 52,245
Equity based revenue	116,526	-
Distribution	<u>(1,579)</u>	<u>(1,579)</u>
Balance, end of year	<u>\$165,613</u>	<u>\$ 50,666</u>

As of December 31, 2016 and 2015, the Company had ownership in three privately held companies. The investments were received as part of Investment Banking transactions in 2011, 2012 and 2016. The Company utilizes the market approach in valuing the investments and considers such factors as liquidity and marketability in determining fair value.

The Company has included liquidity, minority, and other discounts ranging from 25% to 60% in determining the fair values of the three investments as of December 31, 2016. The company included a liquidity discount of 20% and a minority discount of 20% in determining the fair value as of December 31, 2015.

CARY STREET PARTNERS LLC

Notes to Financial Statements, Continued

3. Property and Equipment:

Property and equipment consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 159,197	\$179,068
Furniture and fixtures	402,541	460,736
Software	<u>7,520</u>	<u>7,520</u>
	569,258	647,324
Less accumulated depreciation	<u>(490,620)</u>	<u>(510,102)</u>
Net property and equipment	<u>\$ 78,638</u>	<u>\$ 137,222</u>

4. Intangible Assets:

The Company's intangible assets consisting of client lists were recorded from the June 2007 purchase of Fredericksburg Wealth Management and the December 2013 purchase of Riverstone Wealth Management. At December 31, 2016, the balance of the client lists were \$5,249,153, net of accumulated amortization of \$7,152,741. At December 31, 2015, the balance of the client lists were \$6,057,702, net of accumulated amortization of \$6,344,192.

5. Lease Commitments:

The Company leases equipment and commercial office space in Virginia, Georgia, North Carolina and Texas under operating lease agreements that expire between November 2017 and January 2021.

Minimum future payments under noncancellable operating leases at December 31, 2016 for the next five years are as follows:

2017	\$ 690,532
2018	705,393
2019	679,780
2020	507,556
2021	<u>206,945</u>
	<u>\$ 2,790,206</u>

CARY STREET PARTNERS LLC

Notes to Financial Statements, Continued

6. Financial Instruments with Off-Balance Sheet Risk:

As a securities broker, the Company is engaged in buying and selling securities as an agent for a diverse group of individuals and institutional investors. The Company introduces these transactions for clearance to another firm on a fully disclosed basis. The agreements between the Company and its clearing broker provide that the Company is obligated to assume any exposure related to nonperformance by its customers.

If any transactions do not settle, the Company may incur a loss if the market value of the security is different from the contract value of the transaction. The Company monitors its customer activity by reviewing information it receives from its clearing broker on a daily basis, requiring customers to deposit additional collateral, or reduce positions when necessary.

The Company does not anticipate nonperformance by customers or counterparties in the above situations. The Company's policy is to monitor its market exposure and counterparty risk and to review, as necessary, the credit standing of each counterparty and customer with which it conducts business.

7. Related Party Transactions:

The Company is part of a larger financial services organization and routinely conducts intercompany transactions with Cary Street Partners Holdings LLC (the "Parent Company"). The intercompany balance, presented as due to related party in the accompanying statements of financial condition, consists of various transactions related to the operations of the Parent Company and its subsidiaries, including the Company. The balance in the intercompany account at any point in time may be a net receivable or payable depending upon the amount of each transaction relative to another as follows:

- Cash transferred from the Company to the Parent Company creates a receivable due from the Parent Company.
- Expenses paid on the Company's behalf by the Parent Company create a payable due to the Parent Company. The debit to expense on the Company's statement of operations is offset by a credit to the intercompany account with the Parent Company. In some cases, the expense paid by the Parent Company is allocated among the entities based on the number of employees at each organization or certain predetermined percentages as set forth in the expense-sharing agreement.
- If the payable to the Parent Company increases to an amount that leads senior management to determine that it should be forgiven, an irrevocable capital contribution is recorded effectively reducing the payable and increasing the Company's paid in capital. The Parent Company acquires capital through investments by partners and other investors.

The Company had a payable due to the Parent Company of \$309,806 at December 31, 2016 and \$7,163 at December 31, 2015.

CARY STREET PARTNERS LLC

Notes to Financial Statements, Continued

7. Related Party Transactions, Continued:

The Company's affiliate, Cary Street Partners Investment Advisory LLC (the "RIA"), provides investment advisory services to the Company and its clients pursuant to an Investment Consulting Services Agreement.

The Company was under a lease agreement with Shockoe Properties, LLC through May 2015. Effective June 2015, the Parent Company entered into a five year lease agreement with Shockoe Properties, LLC. A Managing Director of the Company is a member in Shockoe Properties, LLC.

The Company entered into a five year lease in June 2015 for its Fredericksburg, Virginia office space with 250 Executive Center Parkway, LLC. A Managing Director of the Company was a member in 250 Executive Center Parkway, LLC during part of 2016 and all of 2015.

8. Indemnifications:

The Company has certain obligations to indemnify its managers and officers for certain events or occurrences while the manager or officers are, or were, serving at the Company's request in such capacities. The maximum liability under these obligations is limited by the Code of Virginia; however, the Company's insurance policies serve to further limit its exposure.

9. Regulatory Requirements:

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2016, the Company had net capital of \$232,223, which was \$141,526 in excess of required minimum net capital of \$90,697. The Company's net capital ratio was 5.86 to 1. At December 31, 2015, the Company had net capital of \$292,032, which was \$233,091 in excess of the required minimum net capital of \$58,941. The Company's net capital ratio was 3.03 to 1.

The Company does not carry the accounts of its customers and accordingly is exempt from Rule 15c3-3(k)(2)(ii) from preparing the Computation for Determination of Reserve Requirements pursuant to Rule 15c3-3.