

Invesco Distributors, Inc.

Statement of Financial Condition

December 31, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

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FACING PAGE

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 01/01/16 AND ENDING 12/31/16
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Invesco Distributors, Inc.

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

11 Greenway Plaza, Suite 1000

OFFICIAL USE ONLY

FIRM I.D. NO.

(No. and Street)

Houston

TX

77046

(City)

(State)

(Zip Code)

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

Mark Gregson

404-439-3485

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PricewaterhouseCoopers LLP

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

1075 Peachtree St. NE, Suite 2600 Atlanta

GA

30309

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:



Certified Public Accountant



Public Accountant



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

FOR OFFICIAL USE ONLY

*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)

OATH OR AFFIRMATION

I, Mark Gregson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Invesco Distributors, Inc., as of December 31, 2016, 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:


Signature

Chief Financial Officer

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 Proprietors' 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 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of 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).**

Invesco Distributors, Inc.

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December 31, 2016

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Report of Independent Registered Public Accounting Firm

To the Board of Directors of Invesco Distributors, Inc.

In our opinion, the accompanying balance sheet presents fairly, in all material respects, the financial position of Invesco Distributors, Inc. as of December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. The balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on the balance sheet based on our audit. We conducted our audit of this balance sheet 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 balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet, assessing the accounting principles used and significant estimates made by management, and evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 22, 2017

Invesco Distributors, Inc.
Statement of Financial Condition
December 31, 2016

Assets

Cash and cash equivalents	\$ 83,112,945
Due from affiliated products	33,964,484
Commissions receivable	435,490
Loan due from parent	29,550,150
Deferred tax assets	9,562,437
Other assets	854,821
Total assets	<u>157,480,327</u>

Liabilities and stockholder's equity

Liabilities

Due to affiliated companies	11,785,046
State taxes payable	486,066
Due to dealers for distribution fees	64,895,711
Total liabilities	<u>77,166,823</u>

Stockholder's equity

Common stock, \$1 par value, 1,000 shares authorized, 10 shares issued and outstanding	10
Additional paid-in capital	50,332,822
Retained earnings	29,980,672
Total stockholder's equity	<u>80,313,504</u>
Total liabilities and stockholder's equity	<u>\$ 157,480,327</u>

The accompanying notes are an integral part of this statement of financial condition.

Invesco Distributors, Inc.

Notes to Statement of Financial Condition

December 31, 2016

1. Organization and Description of Business

Invesco Distributors, Inc. (the Company) is a Delaware corporation and a wholly owned subsidiary of Invesco Advisers, Inc. (IAI). IAI is owned by Invesco North America Holdings, Inc. (INAH), which is owned by Invesco Management Group, Inc. (IMG), which is owned by IVZ UK Limited (Limited), which in turn is owned by Invesco Group Services, Inc. (IGS), which is owned by Invesco Holding Company (US), Inc. (IHC), the ultimate U.S. parent of the Company. IHC is ultimately owned by Invesco Ltd., a publicly traded holding company that, through its subsidiaries, is primarily engaged in investment management worldwide.

The Company is a registered broker/dealer with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority, Inc. (FINRA), the Municipal Securities Rulemaking Board (MSRB) and the Securities Investor Protection Corporation (SIPC).

The Company serves as the exclusive national underwriter of certain investment company shares (the Invesco Funds) as well as the distributor of certain 529 college savings plans (the 529 Plans), both of which are advised or managed by IAI. The Company also serves as distributor of certain exchange-traded funds (ETFs) managed by Invesco PowerShares Capital Management LLC and is a selling agent for unit investment trusts sponsored by Invesco Capital Markets, Inc. In addition, the Company is engaged in the business of distributing certain collective trusts and other private placement-type products.

2. Summary of Significant Accounting Policies

Basis of Presentation

This statement of financial condition has been prepared in conformity with U.S. generally accepted accounting principles (US GAAP) and in the opinion of management reflects all adjustments necessary for a fair statement of financial condition for the period presented.

Use of Estimates

The preparation of a statement of financial condition in conformity with US GAAP 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 statement of financial condition. Management believes that the estimates utilized in preparing its statement of financial condition are reasonable and prudent. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company has defined cash equivalents as highly liquid investments, with original maturities of three months or less. Cash and cash equivalents consist of cash and investments in affiliated money market funds.

The Company maintains depository accounts with certain financial institutions. Although these account balances exceed federally insured depository limits, the Company has evaluated the credit worthiness of these applicable financial institutions and determined the risk of material financial loss due to exposure from credit risk to be minimal.

Transactions with Affiliated Companies

Due to Affiliated Companies

Short-term borrowings from affiliates are unsecured and are payable on demand. The balance consists primarily of intercompany funding from IHC, as well as other intercompany activity.

Invesco Distributors, Inc.

Notes to Statement of Financial Condition

December 31, 2016

Loan Due From Parent

The Company entered into an intercompany loan agreement with IAI on September 16, 2013 allowing the Company to lend up to \$50,000,000 to IAI. As of December 31, 2016, the Company has executed \$29,500,000 of loans under this agreement. Executed loans under this agreement are unsecured, bear interest at a rate of three point six percent per annum and are payable on demand. The expiration date of the current agreement is September 16, 2018. Interest receivable of \$50,150 is included in the Company's statement of financial condition.

Fund Distribution Costs

The Company has entered into an agreement with IMG, whereby IMG provides funding to the Company for payment of Class B and Class C share commissions to third party brokers for the distribution of Class B and Class C shares. IMG obtains the rights to certain future income to be generated by the Class B and Class C shares under the respective Invesco Funds' Rule 12b-1 plan provisions, certain provisions within the 529 Plans' program description, and contingent deferred sales charge provisions for a purchase price equal to the commission paid to the third party broker for the distribution of Class B and Class C shares sold. Such transactions occur daily and have been accounted for as sale transactions in accordance with ASC Topic 946-605, *Financial Services Investment Companies – Revenue Recognition*. As of December 31, 2016, all related amounts due to IMG are reflected within Due to affiliated companies within the Company's statement of financial condition.

Income Taxes

For federal income tax purposes, the Company's income is included in the consolidated income tax return filed by IHC. Federal income taxes are calculated as if the Company filed on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from IHC. The amount of current and deferred taxes payable or refundable is recognized as of the date of the statement of financial condition, utilizing currently enacted tax laws and rates. The Company records deferred tax assets and liabilities relating to temporary differences in the recognition of revenues and expenses for book versus tax purposes. Pursuant to ASC Topic 718, *Compensation – Stock Compensation*, the Company records the realized benefits/(deficits) of tax return deductions in excess of compensation cost recognized as an increase/decrease to additional paid in capital and an offsetting reduction / increase in income taxes payable.

The Company recognizes and measures its unrecognized tax benefits in accordance with ASC Topic 740, *Income Taxes*. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances, and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change. The Company does not have any unrecognized tax benefits as of December 31, 2016.

Accounting Pronouncements Recently Adopted and Pending Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09) which revises revenue recognition criteria with customers and expands disclosure requirements. This new guidance will be effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted but only for interim and annual reporting periods beginning after December 15, 2016. The Company has elected to implement this new accounting standard in the first quarter of 2018. However, a decision on the adoption method has not been made.

Invesco Distributors, Inc.
Notes to Statement of Financial Condition
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There are certain elements of this new accounting guidance that are still being interpreted and during 2015 and 2016, the FASB issued several updates to various aspects of the guidance relevant to the Company's implementation assessment, including clarifications on principal versus agent considerations, the identification and disclosure of performance obligations, and other narrow-scope amendments.

The underlying premise of the new guidance requires the employment of a five step model to determine the amount of revenue that reflects the consideration to which the entity expects to be entitled for the transfer of services to customers and the timing of recognition. In addition, ASU 2014-09 also requires certain costs to obtain and fulfill contracts with customers to be capitalized, if they meet certain criteria. Capitalized contract costs are subject to amortization and periodic impairment testing.

A key part of management's implementation efforts is the detailed review of the terms and conditions of a sample of revenue contracts. This assessment is largely complete. The Company does not anticipate a significant change in the timing of revenue recognition.

We continue to assess the rule changes and their impact on the statement of financial condition and the required disclosures.

The above findings are based on our work performed to date. Further impacts may be identified as we continue our assessment and as additional guidance (including interpretive guidance) is issued.

In February 2016, the FASB issued Accounting Standards Update 2016-02, "Leases" (ASU 2016-02). The standard requires that lessees recognize lease assets and lease liabilities on the balance sheet for all leases with a lease term greater than 12 months. ASU 2016-02 is effective for fiscal years and interim periods within those years beginning after December 15, 2018 and requires a modified retrospective approach to adoption. Early adoption is permitted. The Company is currently evaluating the potential impact of this standard.

In March 2016, the FASB issued Accounting Standards Update 2016-09, "Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting" (ASU 2016-09). The standard is intended to simplify aspects of the accounting for share-based payment transactions, including income tax impacts and forfeitures. ASU 2016-09 is effective for fiscal years and interim periods within those years beginning after December 15, 2016. The various amendments within the standard require different approaches to adoption of either retrospective, modified retrospective or prospective. Early adoption is permitted. One of the impacts of the new rules is that excess tax benefits and certain tax deficiencies related to vested awards would no longer be recorded in additional paid-in-capital but rather as an income tax expense or benefit. As a part of its implementation efforts, the Company determined that had ASU 2016-09 been effective in 2016, \$100,738 related to excess tax deficiencies would have been recorded as a debit in the provision for income taxes. The Company has elected to implement this standard in the first quarter of 2017; at that time the Company will evaluate any additional impacts of the standard.

3. Fair Value Measurement

ASC Topic 820, *Fair Value Measurements and Disclosures* establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Invesco Distributors, Inc.

Notes to Statement of Financial Condition

December 31, 2016

- Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable from the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

ASC Topic 820 allows three types of valuation approaches: a market approach, which uses observable prices and other relevant information that is generated by market transactions involving identical or comparable assets or liabilities; an income approach, which uses valuation techniques to convert future amounts to a single, discounted present value amount; and a cost approach, which is based on the amount that currently would be required to replace the service capacity of an asset.

The only assets measured at fair value are cash equivalents invested in affiliated money market funds, which totaled \$82,062,022 at December 31, 2016. Cash investments in money market funds are valued under the market approach through the use of quoted market prices in an active market, which is the net asset value of the underlying funds, and are classified within Level 1 of the valuation hierarchy. There were no transfers between Level 1 and Level 2 or between Level 2 and Level 3 during the year ended December 31, 2016.

4. Income Taxes

Federal current and deferred income taxes are provided at the statutory rate in effect during the year (35%) by the members of the consolidated group based on the amount that the respective member would pay or have refunded if it were to file a separate return. The effective tax rate was approximately 44% due to the effect of nondeductible expenses and state income taxes. The deferred tax asset of \$9,562,437 primarily relates to the deductibility of bonus payments and compensation for federal tax purposes.

At December 31, 2016, a \$5,960,392 payable related to settlement of tax payments was reflected in Due to affiliated companies.

The Company is subject to income tax examinations by various taxing authorities. The Company is no longer subject to income tax examinations by the primary tax authorities for years prior to 2012.

5. Net Capital Requirements

In accordance with regulations of the SEC, the Company must maintain minimum net capital, as defined. The Company utilizes the Alternative Standard method of Net Capital Computation pursuant to SEC Rule 15c3-1, which requires the Company to maintain minimum net capital of \$250,000. However, the Company intends to maintain regulatory net capital of at least \$300,000 in order to be in compliance with the early warning rules. At December 31, 2016, the Company had net capital of \$29,234,256 which exceeded required net capital of \$250,000 by \$28,984,256.

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6. Concentration of Credit Risk

The Company is engaged in activities in which counterparties include broker/dealers. In the event that counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty. The Company manages such exposures by its policy to review, as necessary, the credit standing of each counterparty.

7. Contingencies

The investment management industry is subject to extensive levels of ongoing regulatory oversight and examination. Governmental authorities regularly make inquiries, hold investigations and administer market conduct examinations with respect to the Company's compliance with applicable laws and regulations. Lawsuits or regulatory enforcement actions arising out of these inquiries may in the future be filed against the Company and related entities and individuals in jurisdictions in which the Company and its affiliates operate. Any material loss of investor and/or client confidence as a result of such inquiries and/or litigation could result in a significant decline in assets under management, which would have an adverse effect on the Company's future financial results and its ability to grow its business.

The Company is from time to time involved in litigation relating to other claims arising in the ordinary course of its business. Management is of the opinion that the ultimate resolution of such claims will not materially affect the Company's business, financial position, results of operation or liquidity. In management's opinion, no accrual is necessary as of December 31, 2016 to provide for any such losses that may arise from matters for which the Company could reasonably estimate an amount.

8. Subsequent Events

Management of the Company has performed an evaluation of subsequent events through February 22, 2017, which is the date the statement of financial condition was issued. No subsequent events were noted in management's evaluation which would require disclosure.