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

SEC FILE NUMBER	
8-	13173

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 07/01/12 AND ENDING 06/30/13
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: AQUILA DISTRIBUTORS, INC.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
380 MADISON AVENUE, SUITE 2300

OFFICIAL USE ONLY	
FIRM I.D. NO.	

(No. and Street)

NEW YORK

NEW YORK

10017

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
RANDALL FILLMORE 212-697-6666
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

LINDER & LINDER

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

8 CHATHAM PLACE

DIX HILLS

NEW YORK

11746

(Address)

(City)

SECURITIES AND EXCHANGE COMMISSION

RECEIVED

AUG 23 2013

REGISTRATIONS BRANCH

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions¹⁶

FOR OFFICIAL USE ONLY

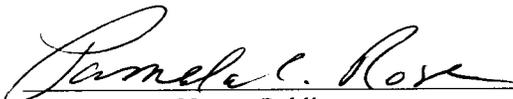
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

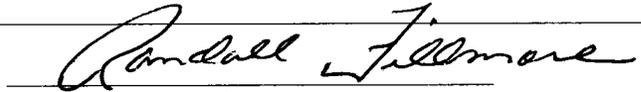
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8/27

OATH OR AFFIRMATION

I, RANDALL FILLMORE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of AQUILA DISTRIBUTORS, INC., as of JUNE 30, 2013, 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:

PAMELA C. ROSE
Notary Public - State of New York
No. 01RO6089026
Qualified in New York County
My Commission Expires March 17, 200715


Notary Public


Signature

SENIOR VICE PRESIDENT
Title

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).

Aquila Distributors, Inc.
Statement of Financial Condition
June 30, 2013

The Company's Statement of Financial Condition as of June 30, 2013 is available for examination at the office of the Company and at the Regional Office of the Securities and Exchange Commission.

Independent Auditors' Report

To the Board of Directors and Stockholders of
Aquila Distributors, Inc.:

We have audited the accompanying statement of financial condition of Aquila Distributors, Inc. (the "Company") as of June 30, 2013, that is filed pursuant to Rule 17a-S under the Securities Exchange Act of 1934, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of Aquila Distributors, Inc. as of June 30, 2013, in accordance with accounting principles generally accepted in the United States of America.

August 20, 2013
Dix Hills, NY



Aquila Distributors, Inc.
Statement of Financial Condition
June 30, 2013

Assets

Cash and cash equivalents	\$ 1,389,169
Commissions receivable	100,355
Due from funds	524,499
Prepaid expenses	62,317
Marketable securities, at market value	<u>9,837</u>

Total assets \$ 2,086,177

Liabilities and Stockholders' Equity

Liabilities

Commissions payable	\$ 522,099
Accounts payable and accrued expenses	<u>151,415</u>
Total liabilities	<u>673,514</u>

Stockholders' Equity

Common stock, no par value, 200 shares authorized, issued and outstanding	7,000
Additional paid-in capital	268,000
Retained earnings	<u>1,137,663</u>
Total stockholders' equity	<u>1,412,663</u>

Total liabilities and stockholders' equity \$ 2,086,177

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

1. Organization

Aquila Distributors, Inc., (the "Company"), is a registered broker and dealer in securities under the Securities Exchange Act of 1934. The Company acts as the exclusive distributor of shares in municipal and corporate bond funds and an equity fund (the "Funds") for its affiliate, Aquila Investment Management LLC, ("Aquila Management"), which serves as the investment adviser for all but one of the Funds and the administrator for all of the Funds. The Company and Aquila Management are under common ownership and certain officers and directors of the Company are also officers, trustees or stockholders of the affiliated mutual funds.

Commission Income

The Company, as the exclusive distributor, receives commission income from the sale of affiliated mutual fund shares including underwriting fees and broker commissions from mutual fund trades processed by the Company. Both underwriting fees and commissions are based upon a percentage of the sales price of the shares sold, which percentage varies with the amount of the purchase and shares already owned. Income is recognized on the trade date basis, which is the date of sale of the mutual fund shares.

For the year ended June 30, 2013, all commission income earned by the Company was from the sale of shares of the affiliated funds.

Clearance of Mutual Fund Shares

The Company is a member of Fund/Serv, a facility offered to registered broker/dealers for the clearance of purchases and redemptions of mutual fund shares by member financial institutions. Pursuant to arrangements with the affiliated mutual funds and their bank, the Company does not hold cash or securities from Fund/Serv nor does it owe money or securities to the affiliated mutual funds for the liabilities associated with such funds or securities. All fund shareholder records are maintained by BNY Mellon Investment Servicing (including omnibus accounts for several brokers), as transfer and shareholder servicing agent for the affiliated mutual funds.

2. Summary of Significant Accounting Policies

Cash Equivalents

The Company considers all money market accounts and all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents.

Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation

allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would be sustained upon examination by the taxing jurisdictions. The Company has analyzed the tax positions taken, and has concluded that as of June 30, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Company is subject to routine audits for any tax periods in progress. The Company believes it is no longer subject to income tax examinations for years prior to 2009.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Related Party Transactions

Related party transactions are between (a) Aquila Management, a minority stockholder of the Company and has similar ownership to that of the Company, (b) the Funds, and (c) with a consultant who also serves as a director of the Company, collectively the Affiliated Parties.

Expense Sharing Agreement

On July 1, 2012, The Company and Aquila Management entered into an Expense Sharing Agreement (“Agreement”), whereby, it was agreed to consolidate prior agreements and understandings with respect to expense sharing arrangements including: (1) Payroll and Fringe Benefits, (2) Rent, Utilities and use of Office Equipment, (3) Communications Expense, (4) Customer Relationship Management (CRM) System, (5) Corporate American Express Credit Card Charges, and compensation for certain services, specifically for shareholder services, marketing, professional, and support services provided for Aquila Management’s benefit. The Agreement establishes systematic and rationale allocation methodologies for each shared expense category consistent with generally accepted accounting principles. The Agreement will automatically renew on a year-to-year basis unless and until terminated by either party on thirty days’ notice. Accounts payable and accrued expenses include \$132,049 due to Aquila Management at June 30, 2013.

Purchased C Shares Receivable

At June 30, 2009 the Company and Aquila Management entered into a Purchase and Sale Agreement, whereby, the Company from time to time may sell purchased receivables related to each fund to Aquila Management. For the fiscal year ended June 30, 2013, Aquila Management did not purchase any receivables.

Consulting Services

The Company made payments to an affiliated party for consulting services.

Due from Affiliated Companies

At June 30, 2013, inter-company balances are: commissions receivable \$82,121 and due from funds \$524,499.

4. Net Capital Requirements

The Company is subject to the uniform net capital requirements of Rule 15c3-1 of the Securities and Exchange Commission Act, as amended, which requires a broker-dealer to have, at all times, sufficient liquid assets to cover indebtedness. In accordance with the rule, the Company is required to maintain defined minimum net capital of the greater of \$25,000 or 1/15 of aggregate indebtedness.

At June 30, 2013, the Company had net capital, as defined, of \$740,533, which exceeded the required minimum net capital of \$44,901 by \$695,632. Aggregate indebtedness at June 30, 2013 totaled \$673,514. The ratio of aggregate indebtedness to net capital was 0.91 to 1.

Additionally, National Securities Clearing Corporation requires a broker-dealer to have \$50,000 in excess net capital over the minimum net capital requirement imposed by the Securities and Exchange Commission. The Company exceeded this requirement by \$645,632.

5. Off-Balance-Sheet Risk and Concentration of Credit Risk

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various securities transactions. These activities may expose the Company to off-balance-sheet credit risk in the event the customer or other party is unable to fulfill its contractual obligations.

The uncertain financial market could adversely affect the Company's business.

The Company may, from time to time, have cash in excess of FDIC insured limits and is exposed to the credit risk resulting from this concentration of cash.

6. Fair Value Measurements

The Company accounts for its financial instruments at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels is explained below:

Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets and liabilities that the Company has the ability to access. Valuation adjustments are not applied to Level 1 securities, since valuations are based on quoted prices that are readily and regularly available in an active market and valuation of these securities does not entail a significant degree of judgment.

Level 2: Pricing inputs are other than quoted market prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate debt, less liquid and restricted equity securities and warrants.

Level 3: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments in this category generally include interests in corporate private equity.

The following are the major categories of assets and liabilities measured at fair value on a recurring basis and summarized by the fair value hierarchy as described above, as of June 30, 2013.

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Marketable securities, at market value	\$ 9,837	\$ 9,837	\$ -	\$ -

7. Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions through August 20, 2013 for potential recognition or disclosure through the date the financial statements were issued.