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

OMB APPROVAL
OMB Number: 3235-0123
Expires: March 31, 2016
Estimated average burden
hours per response.....12.00

SEC FILE NUMBER
8-50894

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

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 01/01/2013 AND ENDING 12/31/2013
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **MFD Distributor, LLC**

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

8777 N. Gainey Center Drive

(No. and Street)

Scottsdale

(City)

Arizona

(State)

85258

(Zip Code)

OFFICIAL USE ONLY

FIRM ID NO.

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

W. Richard Mason, Principal

(480) 443-9537

(Area Code - Telephone No)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

McGladrey LLP

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

One South Wacker Drive, Suite 800

(Address)

Chicago

(City)

Illinois

(State)

60606

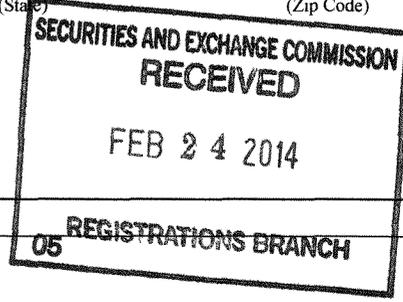
(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

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



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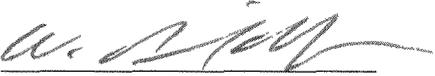
* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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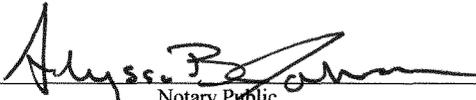
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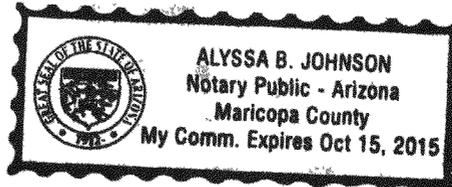
OATH OR AFFIRMATION

I, **W. Richard Mason**, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **MFD Distributor, LLC**, as of **December 31, 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.


Signature

Principal
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 Cash Flows.
- (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 (bound under separate cover).
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent Auditor's Report on Internal Control.

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

Contents

| | |
|--|---------|
| Independent Auditor's Report | 1 – 2 |
| Financial Statements | |
| Statement of financial condition | 3 |
| Statement of operations | 4 |
| Statement of changes in member's capital | 5 |
| Statement of cash flows | 6 |
| Notes to financial statements | 7 – 8 |
| Supplementary Schedules | |
| I. Computation of net capital under Rule 15c3-1 | 9 |
| II. Computation for determination of reserve requirements under Rule 15c3-3 | 10 |
| III. Information relating to possession or control requirements under Rule 15c3-3 | 10 |
| Independent Auditor's Report on Internal Control | 11 – 12 |



Independent Auditor's Report

To the Member
MFD Distributor, LLC
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying statement of financial condition of MFD Distributor, LLC (the Company) as of December 31, 2013, and the related statements of operations, changes in member's capital and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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 statements.

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 statements referred to above present fairly, in all material respects, the financial position of MFD Distributor, LLC as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in Schedules I, II, and III has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Schedules I, II, and III is fairly stated in all material respects in relation to the financial statements as a whole.

McGladrey LLP

Madison, Wisconsin
February 7, 2014

MFD Distributor, LLC

**Statement of Financial Condition
December 31, 2013**

Assets

| | | |
|---------------------|-----------|-----------------------------|
| Cash | \$ | 40,039 |
| Prepaid expenses | | 20,567 |
| Accounts receivable | | <u>2,330</u> |
| Total assets | \$ | <u><u>62,936</u></u> |

Liabilities and Member's Capital

| | | |
|---|-----------|-----------------------------|
| Liabilities | | |
| Due to affiliate, net | \$ | <u>1,108</u> |
| Member's Capital | \$ | <u>61,828</u> |
| Total Liabilities and Member's Capital | \$ | <u><u>62,936</u></u> |

The accompanying notes are an integral part of these financial statements.

MFD Distributor, LLC

Statement of Operations
Year Ended December 31, 2013

| | |
|------------------------------------|----------------------|
| Revenue: | |
| Dealer and underwriter concessions | \$ 187,593 |
| Contract revenue | 92,800 |
| 12b-1 service fee commissions | 5,156 |
| | <u>285,549</u> |
| Expenses: | |
| Expenses allocated from affiliates | 238,770 |
| Regulatory fees and expenses | 28,179 |
| Operating expenses | 18,113 |
| | <u>285,062</u> |
| Net income | <u><u>\$ 487</u></u> |

The accompanying notes are an integral part of these financial statements.

MFD Distributor, LLC

**Statement of Changes in Member's Capital
Year Ended December 31, 2013**

| | | |
|-----------------------------------|-----------|----------------------|
| Balance, December 31, 2012 | \$ | 61,341 |
| Net income | | <u>487</u> |
| Balance, December 31, 2013 | \$ | <u>61,828</u> |

The accompanying notes are an integral part of these financial statements.

MFD Distributor, LLC

Statement of Cash Flows
Year Ended December 31, 2013

| | |
|--|------------------|
| Cash Flows from Operating Activities | |
| Net income | \$ 487 |
| Adjustment to reconcile net income to net cash used in operating activities: | |
| Changes in operating assets and liabilities: | |
| Increase in prepaid expenses | (1,358) |
| Decrease in accounts receivable | (910) |
| Decrease in due to/from affiliate, net | 1,669 |
| Net cash used in operating activities | <u>(112)</u> |
| | |
| Decrease in cash | (112) |
| | |
| Cash: | |
| Beginning | <u>40,151</u> |
| | |
| Ending | <u>\$ 40,039</u> |

The accompanying notes are an integral part of these financial statements.

MFD Distributor, LLC

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

MFD Distributor, LLC (the Company) is a Wisconsin limited liability company formed on December 19, 1997, and effective February 1, 2013 changed its name from Mosaic Funds Distributor, LLC. The Company is a registered broker-dealer with the Securities and Exchange Commission (SEC) and a member of the Financial Industry Regulatory Authority (FINRA). The Company is a wholly owned subsidiary of Madison Investment Holdings, Inc. (MIH). The Company's sole business activities are to serve as the marketing agent and distributor of the Madison Funds and the Ultra Series Fund.

The Company operates under the provisions of Paragraph (k)(1) of Rule 15c3-3 of the Securities Exchange Act of 1934 and, accordingly, is exempt from the remaining provisions of Rule 15c3-3. Essentially, the requirements of Paragraph (k)(1) provide that the Company limits its transactions to the purchase, sale, and redemption of redeemable securities of mutual funds and promptly transmits all funds received and delivers securities to customers.

The following is a summary of the Company's significant accounting policies:

Accounting policies: The Company follows generally accepted accounting principles (GAAP), as established by the Financial Accounting Standards Board (the FASB) to ensure consistent reporting of financial condition, results of operations and cash flows.

Use of estimates: The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition: Contract revenue represents amounts earned for services related to its marketing and distribution of mutual funds. Dealer and underwriter concessions are earned on the sale of Class A shares of the Madison Funds. 12b-1 service fee commissions are earned on shares held directly with the Madison Funds. Contract revenue and 12b-1 service fee commissions are earned as such services are provided. Dealer and underwriter concessions are recorded on a trade-date basis as securities transactions occur.

Income taxes: As a wholly owned subsidiary of MIH, the Company is not subject to federal income tax, but may be subject to certain state taxes. The FASB provides 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 benefit or expense and liability in the current year. For the year ended December 31, 2013, management has determined that there are no material income uncertain tax positions.

The Company is not subject to examination by U.S. federal or state taxing authorities for tax years before 2010.

Subsequent events: The Company has evaluated subsequent events for potential recognition and/or disclosure through the date these financial statements were issued and noted none.

MFD Distributor, LLC

Notes to Financial Statements

Note 2. Significant Business Relationships and Related-Party Transactions

The Company relies entirely on the operational support of MIH, Madison Asset Management, LLC (MAM) (whose voting shares are wholly owned by MIH) and Madison Investment Advisors, LLC (MIA) (a wholly owned subsidiary of MAM) for its day-to-day staffing and operations.

All persons associated with the Company are or were employees or officers of MIH and such firms share office space and supplies among each other and their affiliate, Madison Scottsdale, LC. The relationship between the Company, MIA, MIH and MAM is documented in Service Agreements between the companies. MIA's service agreement is a Distributor Services Compensation Agreement dated July 1, 2000, and amended November 30, 2010, and MAM's service agreement is documented in a Compensation and Reimbursement Agreement dated July 1, 2009 (collectively, the Service Agreements), and amended and restated dated January 1, 2013. The Service Agreements will terminate in the event the respective affiliated investment adviser ceases to serve as the investment advisor to the Madison Funds and/or the Ultra Series Fund, respectively.

Madison Funds, effective February 28, 2013, changed its name from MEMBERS Mutual Funds. Effective after market close April 19, 2013, based on approval granted at a meeting held March 27, 2013 by the shareholders of each respective Madison Mosaic Fund, each Madison Mosaic Fund reorganized into a corresponding series of Madison Funds.

The Company earned \$187,593 of dealer and underwriter concessions from the Madison Mutual Fund for the year ended December 31, 2013. The Company earned contract revenue from MAM in the amount of \$92,800 and was allocated \$238,770 of expenses from MAM for the year ended December 31, 2013. The due to affiliates, net, balance on the statement of financial condition consists primarily of the net payable related to the amounts noted above.

Note 3. Net Capital Requirements

The Company is a broker-dealer subject to the SEC Uniform Net Capital Rule (SEC 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. Rule 15c3-1 also provides that equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1. At December 31, 2013, the Company had net capital of \$38,931, which was \$33,931 in excess of its required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was 0.03 to 1.

Note 4. Indemnifications

In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties that provide indemnifications under certain circumstances. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. The Company expects the risk of future obligation under these indemnifications to be remote.

MFD Distributor, LLC

**Computation of Net Capital Under Rule 15c3-1
December 31, 2013**

Schedule I

| | |
|---|-------------------------|
| Net capital: | |
| Total member's capital | \$ 61,828 |
| Deductions and/or charges: | |
| Non-allowable assets: | |
| Prepaid expenses | 20,567 |
| Accounts receivable | <u>2,330</u> |
| Net capital | 38,931 |
| Computation of basic net capital requirement, minimum net capital required | <u>5,000</u> |
| Excess net capital | <u><u>\$ 33,931</u></u> |
| Aggregate indebtedness | <u><u>\$ 1,108</u></u> |
| Ratio: Aggregate indebtedness to net capital | <u><u>0.03 to 1</u></u> |

MFD Distributor, LLC

**Computation for Determination of Reserve Requirements
Under Rule 15c3-3
December 31, 2013**

Schedule II

None, the Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission pursuant to the provisions of subparagraph (k)(1) thereof.

**Information Relating to Possession or Control Requirements
Under Rule 15c3-3
December 31, 2013**

Schedule III

None, the Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission pursuant to the provisions of subparagraph (k)(1) thereof.



Independent Auditor's Report on Internal Control

To the Member
MFD Distributor, LLC
Madison, Wisconsin

In planning and performing our audit of the financial statements of MFD Distributor, LLC (the Company) as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2013, to meet the SEC's objectives.

This report is intended solely for the information and use of the Member, management, the SEC, the Financial Industry Regulatory Authority, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

Madison, Wisconsin
February 7, 2014