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

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

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

SEC FILE NUMBER  
8-34626

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**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 01/01/2014 AND ENDING 12/31/2014  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: ALPS Distributors, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

1290 Broadway, Suite 1100

(No. and Street)

Denver

CO

80203

(City)

(State)

(Zip Code)

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

303-623-2577

(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)

1100 Walnut Street

Kansas City

MO

64106

(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 5(e)(2) of the Securities Exchange Act of 1934 and Rule 17a-5 thereunder.

SEC 1410 (06-02)

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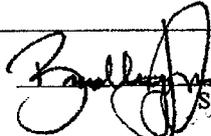
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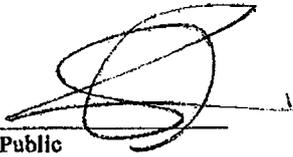
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OATH OR AFFIRMATION

I, Bradley J. Swenson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ALPS Distributors Inc., as of December 31, 20 14, 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  
SVP, CCO, CFO, FINOP  
Title

  
Nichole M. Kramer  
Notary Public

**NICHOLE M. KRAMER  
NOTARY PUBLIC  
STATE OF COLORADO  
NOTARY ID 19954015447  
MY COMMISSION EXPIRES MAY 4, 2015**

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).

# **ALPS Distributors, Inc.**

**Statement of Financial Condition**

**December 31, 2014**

**ALPS Distributors, Inc.**  
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**December 31, 2014**

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## Report of Independent Registered Public Accounting Firm

To the Board of Directors  
of ALPS Distributors, Inc.:

In our opinion, the accompanying statement of financial condition of ALPS Distributors, Inc. (the "Company"), presents fairly, in all material respects, the financial position of the Company at December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. The statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on the statement of financial condition based on our audit. We conducted our audit of this statement 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 statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

February 26, 2015

**ALPS Distributors, Inc.**  
**Statement of Financial Condition**  
**December 31, 2014**

**Assets**

|  |    |                  |
|--|----|------------------|
| Cash and cash equivalents                        | \$ | 1,374,815        |
| Funds held on behalf of clients                  |    | 45,365           |
| Accounts receivable, net of allowance of \$2,925 |    | 1,839,330        |
| Receivable from Parent                           |    | 1,457,034        |
| Prepaid expenses, deposits and other assets      |    | 315,601          |
| Total assets                                     | \$ | <u>5,032,145</u> |

**Liabilities and Stockholder's Equity**

|  |    |                  |
|--|----|------------------|
| Accounts payable and accrued expenses      | \$ | 124,278          |
| Client fund obligations                    |    | 45,365           |
| Deferred tax liabilities                   |    | 42,418           |
| Other liabilities                          |    | 100,000          |
| Total liabilities                          |    | <u>312,061</u>   |
| Stockholder's Equity                       |    |                  |
| Paid-in capital                            |    | 4,261,117        |
| Retained earnings                          |    | 458,967          |
| Total stockholder's equity                 |    | <u>4,720,084</u> |
| Total liabilities and stockholder's equity | \$ | <u>5,032,145</u> |

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

**ALPS Distributors, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2014**

**1. Description of Business and Basis for Presentation**

ALPS Distributors, Inc. (“we”, “our”, “us”, the “Company” or “ADI”) is a wholly-owned subsidiary of ALPS Holdings, Inc. (“AHI”). AHI is a wholly-owned subsidiary of DST Systems, Inc. (“DST”). ADI is a registered broker-dealer with the Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority.

We perform various services for our clients including: supervising and maintaining licenses of sponsor’s staff, review and approval of marketing materials, acting as legal underwriter/distributor of mutual fund and similar products, administering 12b-1 plans, execution of broker/dealer selling agreements, performing due diligence on financial intermediaries, acting as agent for private placement securities, and administering firm and regulatory element for registered representatives.

We operate under the provisions of paragraph (k)(2)(i) of Rule 15c3-3 of the Securities Exchange Act of 1934 and, accordingly, claim exemption from the remaining provisions of that Rule. As such, we are not required to maintain a “Special Account for the Exclusive Benefit of Customers.”

**2. Summary of Significant Accounting Policies**

**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.

**Cash and cash equivalents**

We consider all liquid investments with original maturities of 90 days or less to be cash equivalents.

**Client funds/obligations**

In connection with providing services for our clients, we may hold client funds which, based upon our intent, are restricted for use and have been classified as Funds held on behalf of clients within the Statement of Financial Condition.

Client funds obligations represent our contractual obligations to remit funds to satisfy client obligations and are recorded on the Statement of Financial Condition when incurred. Client funds obligations represent liabilities that will be repaid within one year of the balance sheet date.

**Accounts receivable**

Accounts receivable are stated at the amount billed to fund clients. We provide an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables may be written off based on specific circumstances of the fund clients. We extend unsecured credit to our customers.

**Income taxes**

ADI is included within the consolidated federal income tax return of DST. We compute income tax expense and income taxes payable to DST under an intercompany tax allocation policy which approximates the separate return method. The tax sharing policy provides for compensation for tax benefits of losses and credits to the extent utilized by other members in the consolidated tax return. Deferred income tax effects of transactions reported in different periods for financial reporting purposes are recorded under the liability method. This method gives consideration to the future tax consequences of deferred income or expense items and immediately recognizes changes in income tax laws upon enactment. We recognize interest and penalties accrued related to unrecognized tax benefits, if any, in income tax expense.

**ALPS Distributors, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2014**

From time to time, we may enter into transactions of which the tax treatment under the Internal Revenue Code or applicable state tax laws is uncertain. In these instances, we provide federal and/or state income taxes on such transactions, together with related interest, net of income tax benefit, and any applicable penalties.

**Fair value of financial instruments**

Fair value 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. Various valuation inputs are used to determine the fair value of assets or liabilities. Such inputs are defined broadly as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Other significant observable inputs (including quoted prices for similar securities, interest rates, etc.) for the asset or liability.

Level 3 - Significant unobservable inputs (including the entity's own assumptions in determining fair value) for the asset or liability.

Substantially all of our financial assets and liabilities are represented by cash balances held by depository institutions or are short-term in nature thus their carrying amounts approximate fair value as defined within the standard.

**New authoritative accounting guidance**

In February 2015, the Financial Accounting Standards Board ("FASB") issued an accounting standard update, "Consolidation (Topic 810) - Amendments to the Consolidation Analysis." The new consolidation guidance changes the way reporting enterprises evaluate whether (a) they should consolidate limited partnerships and similar entities, (b) fees paid to a decision maker or service provider are variable interests in a VIE, and (c) variable interests in a VIE held by related parties of the reporting enterprise require the reporting enterprise to consolidate the VIE. It also eliminates the VIE consolidation model based on majority exposure to variability that applied to certain investment companies and similar entities. The guidance is effective for us for fiscal years and interim periods beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. We are currently evaluating the standard and the impact it will have on the consolidated financial statements.

In May 2014, the FASB issued an accounting standard, "Revenue from Contracts with Customers." This standard will replace the existing accounting standard for revenue recognition and is effective for annual periods beginning after December 15, 2016. Early application of this standard is not permitted. This standard permits two transition approaches, either the retrospective transition method or the cumulative effect transition method. We are currently evaluating the standard, including which transition approach will be applied and the estimated impact it will have on the financial statements.

**Subsequent events**

Subsequent events have been evaluated through February 26, 2015 which is the date the financial statements were available to be issued.

**3. Income Taxes**

Deferred assets and liabilities are determined based on the differences between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse. Deferred tax expense (benefit) is generally the result of changes in the assets or liabilities for deferred taxes. The net deferred tax liability of \$42,418 at December 31, 2014 is comprised of deferred tax liabilities of \$81,008 and deferred tax assets of \$38,590. The net deferred tax liability at December 31, 2014 relates primarily to prepaid assets.

**ALPS Distributors, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2014**

Various state and local income tax returns of the DST consolidated group are under examination by taxing authorities. We do not believe that the outcome of any examination will have a material impact on our financial statements.

**4. Related Party Transactions**

ADI and AHI, through AHI's wholly-owned subsidiary ALPS Fund Services, Inc. ("AFS"), have entered into an expense allocation agreement, which calls for AHI to pay various overhead and operating expenses of ADI and ADI agrees to reimburse AFS for such costs paid by AHI on its behalf. ADI records expenses in amounts determined according to the reasonable allocation from AHI, applied on a consistent basis. For the year ended December 31, 2014, the allocation was determined to be ADI's percentage of revenue to the total consolidated revenue of AHI which resulted in allocated expenses from AHI in the amount of \$3,775,999.

For the year ended December 31, 2014, ADI paid cash dividends to DST in the amount of \$5,325,000. At December 31, 2014, ADI had a receivable from parent of \$1,457,034 which represents a net balance as the result of various transactions between ADI and DST and its wholly-owned subsidiaries. The balance is primarily the result of our participation in DST's centralized cash management program, wherein cash disbursements are funded by DST.

**5. Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

**Major customers**

We had two major customers (customers who account for more than 10% of revenues) whose combined revenues accounted for 27% of our revenue for the year ended December 31, 2014. We were notified that one of these major customers would not be renewing its contract with us effective December 31, 2014.

**Credit risk**

Cash balances which exceed Federal Deposit Insurance Corporation insurance coverage limits subject us to a concentration of credit risk.

**Current economic conditions**

Economic and financial market conditions could adversely affect the results of operations in future periods. Instability in the financial markets may significantly impact the volume of future sales, which could have an adverse impact on our future operating results.

In addition, given the volatility of economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in allowances for accounts receivable that could negatively impact our ability to maintain sufficient liquidity.

**Other contingencies**

We are involved in legal and regulatory proceedings arising in the normal course of our business. While the ultimate outcome of these proceedings cannot be predicted with certainty, it is the opinion of management, after consultation with legal counsel, that the final outcome in such proceedings, in the aggregate, would not have a material adverse effect on our financial condition, results of operations and cash flow.

**Indemnifications**

In the normal course of business, we enter into contracts that contain a variety of representations and warranties which provide general indemnifications. Our maximum exposure under these arrangements is

**ALPS Distributors, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2014**

unknown as the contracts refer to potential claims that have not yet occurred. However, management expects the risk of loss to be remote.

**6. Net Capital Requirements**

We are subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of a minimum net capital requirement. We have elected the alternative net capital method. This method establishes a minimum net capital requirement of the greater of \$250,000 or 2% of aggregate debits, pursuant to Rule 15c3-3. At December 31, 2014, we had net capital of \$1,108,119, which was \$858,119 in excess of our required net capital of \$250,000.