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**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 01/01/2015 AND ENDING 12/31/2015
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Parnassus Funds Distributor

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1 Market Street #1600

(No. and Street)

San Francisco

CA

94105

(City)

(State)

(Zip Code)

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

Marc C. Mahon

415-778-0200

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Mah & Associates, LLP

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

201 California Street, Suite 411

San Francisco

CA

94111

(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)

SEC 1410 (06-02)

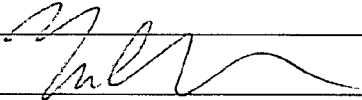
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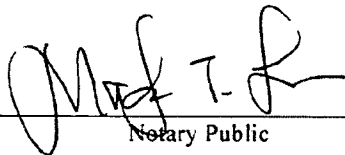
OATH OR AFFIRMATION

I, Marc C. Mahon, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Parnassus Funds Distributor, as of December 31, 2015, 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).

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of San Francisco

Subscribed and sworn to (or affirmed) before me on this 24
day of February, 2016, by Marc Carl Mahon

proved to me on the basis of satisfactory evidence to be the
person(s) who appeared before me.



(Seal)

Signature

A handwritten signature in black ink, appearing to read 'Marie T. Lee', written over a horizontal line.

PARNASSUS FUNDS DISTRIBUTOR

FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2015
TOGETHER WITH
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM



PARNASSUS FUNDS DISTRIBUTOR
DECEMBER 31, 2015

Table of Contents

	Page
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	1 - 2
FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015	
Statement of Financial Condition	3
Statement of Income	4
Statement of Changes in Stockholders' Equity	5
Statement of Cash Flows	6
NOTES TO FINANCIAL STATEMENTS	7 - 8
SUPPLEMENTAL SCHEDULE:	
Schedule I - Computation of Net Capital Under Rule 15c3-1 of The Securities and Exchange Commission as of December 31, 2015	9
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	10
EXEMPTION REPORT FROM RULE 15c3-3	11



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of Parnassus Funds Distributor:

We have audited the accompanying statement of financial condition of Parnassus Funds Distributor, an S-Corporation (the Company), as of December 31, 2015, and the related statements of income, changes in shareholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of Parnassus Funds Distributor's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parnassus Funds Distributor as of December 31, 2015, 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.

The Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission has been subjected to audit procedures performed in conjunction with the audit of Parnassus Funds Distributor's financial statements. The supplemental information is the responsibility of Parnassus Funds Distributor's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we

evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission is fairly stated, in all material respects, in relation to the financial statements as a whole.

Mah & Associates LLP

San Francisco, California
February 23, 2016

**Parnassus Funds Distributor
Statement of Financial Condition
December 31, 2015**

Assets

Cash	<u>\$ 6,627</u>
	<u><u>\$ 6,627</u></u>

Liabilities and Stockholder's Equity

Liabilities	<u>\$ -</u>
-------------	-------------

Stockholder's equity:

Common stock, no par value, authorized 1,000,000 shares, 240 shares issued and outstanding	6,000
Retained Earnings	<u>627</u>

Total Stockholder's equity	<u>6,627</u>
	<u><u>\$ 6,627</u></u>

See accompanying notes to the financial statements.

Parnassus Funds Distributor
Statement of Income
For the Year Ended December 31, 2015

Revenues	<u>\$ -</u>
Expenses:	
Conferences	134,048
Rent	38,860
Regulatory	27,600
Membership Dues	21,736
Travel	20,204
Other	19,248
Professional Fees	16,986
Advertising	16,410
Telephone	3,827
Printing	3,535
Postage	2,867
Computer Services	2,604
Copier Rental	1,535
Office	<u>369</u>
	<u>309,829</u>
Income Before Other Income	<u>(309,829)</u>
Other Income:	
Reimbursable Expenses	309,829
Interest income	-
	<u>309,829</u>
Net Income	<u><u>\$ -</u></u>

See accompanying notes to the financial statements.

Parnassus Funds Distributor
Statement of Changes in Stockholder's Equity
For the Year Ended December 31, 2015

	<u>Common Stock</u>		<u>Retained Earnings</u>	<u>Stockholder's Equity</u>
	<u>Shares</u>	<u>Amount</u>		
Balances at January 1, 2015	240	\$ 6,000	\$ 627	\$ 6,627
Net Income	-	-	-	-
Balances at December 31, 2015	<u>240</u>	<u>\$ 6,000</u>	<u>\$ 627</u>	<u>\$ 6,627</u>

See accompanying notes to the financial statements.

Parnassus Funds Distributor
Statement of Cash Flows
For the Year Ended December 31, 2015

Cash flow from operating activities:	
Net Income	<u>\$ -</u>
Net Cash provided by operating activities	<u>-</u>
Net increase in cash	-
Cash at beginning of year	<u>6,627</u>
Cash at end of year	<u><u>\$ 6,627</u></u>

See accompanying notes to the financial statements.

Parnassus Funds Distributor

Notes to Financial Statements

December 31, 2015

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of operations

Parnassus Funds Distributor (the company or PFD) is a wholly owned subsidiary of Parnassus Investments Inc (PI). 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 sole purpose of PFD is to serve as distributor of the Parnassus Funds family of mutual funds. In this limited capacity PFD maintains FINRA licenses for registered persons and files marketing materials and advertisements with FINRA solely for the Parnassus Funds. As a limited purpose broker-dealer PFD holds no customer accounts. All expenses directly or indirectly attributable to PFD will be paid via an expense sharing agreement with PI. The only assets or liabilities attributable to the PFD are to maintain the required minimum net capital under SEC Rule 15c3-1.

The company operates under the provisions of the paragraph (k)(1) of Rule 15c3-3 of the Securities Exchange Act of 1934 and, accordingly, is exempt from the remaining provisions of that Rule. As such, the Company is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers."

Securities Investor Protection Corporation (SIPC) Membership

As a limited purpose broker-dealer with its business consisting exclusively of the distribution of shares of open end investment companies, the company is exempt from SIPC membership under Section 78ccc(a)(2)(A) of the Securities Investor Protection Act of 1970 (SIPA) and has filed form SIPC-3 to that effect. As such the company has no requirement for a SIPC Schedule of Assessments and Payments.

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 the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Cash

The company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2015, cash equivalents consisted of one interest-bearing cash account. At December 31, 2015, the Company's interest-bearing cash accounts did not exceed federally insured limits of \$250,000.

Income Taxes

The company files consolidated income tax returns with PI. Based on the expense allocation agreement with Parnassus Investments, allocable income tax expense of PI to PFD is paid by PI. Thus no provision for income taxes has been recorded in these financial statements.

Advertising

Advertising costs are expensed as incurred. Advertising costs were \$16,410 during the year ended December 31, 2015.

Subsequent Events

Subsequent events have been evaluated through February 23, 2016 which is the date the financial statements were available to be issued.

Note 2: Net Capital 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, 2015, the Company had net capital of \$6,627 which was \$1,627 in excess of its required net capital of \$5,000. The Company's net capital ratio was 0.0 to 1 at December 31, 2015.

Note 3: Related Party Transactions

Effective May 1, 2008, PFD and PI entered into an expense sharing agreement, which calls for PI to pay various overhead and operating expenses of PFD. During the year ended December 31, 2015, PI paid and allocated a total of \$309,829 for PFD's operating expenses.

Note 4: 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:

Current Economic Conditions

The current economic environment presents service providers with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of assets, declines in the volume of business, constraints on liquidity and difficulty in obtaining financing. The financial statements have been prepared using values and information currently available to the Company.

Current economic and financial market conditions could adversely affect our results of operations in future periods. In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments that could impact the Company's ability to maintain sufficient liquidity.

Parnassus Funds Distributor
Computation of Net Capital Under Rule 15c3-1 of The
Securities and Exchange Commission
As of December 31, 2015

Net Capital

Total stockholder's equity	\$ 6,627
Deduct stockholder's equity not allowable for net capital	<u>-</u>
Total stockholder's equity qualified for net capital	6,627
Add subordinated borrowings allowable for net capital	<u>-</u>
Total capital and allowable subordinated borrowings	6,627
Deductions/charges	<u>-</u>
Net capital before haircuts on securities positions	6,627
Haircuts on securities	<u>-</u>

Net Capital \$ 6,627

Aggregate Indebtedness \$ -

Computation of Basic Net Capital Requirement

Minimum net capital required	<u><u>\$ 5,000</u></u>
Excess net capital	<u><u>\$ 1,627</u></u>
Net capital less greater of 10% of aggregate indebtedness or 120% of minimum net capital required	<u><u>\$ 627</u></u>
Ratio: Aggregate indebtedness to net capital	<u><u>0.00 to 1</u></u>

Note: There are no material differences between the preceding computation and the Company's corresponding unaudited part II of Form X-17A-5 as of December 31, 2015.

See accompanying notes to the financial statements.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
of Parnassus Funds Distributors

We have reviewed management's statements, included in the accompanying Broker Dealer Annual Compliance Report Pursuant to Rule 17a-5 Exemption Report from Rule 15c3-3 (Exemption Report), in which (1) Parnassus Funds Distributor identified the following provision of 17 C.F.R. §15c3-3(k) under which it claimed an exemption from 17 C.F.R. §240.15c3-3: (2)(ii) (the "exemption provision") and (2) Parnassus Funds Distributor stated that it met the identified exemption provisions throughout the most recent fiscal year without exception. Parnassus Funds Distributor's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Parnassus Funds Distributor's compliance with the exemption provision. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

Mah & Associates, LLP

San Francisco, California
February 23, 2016

BROKER DEALER ANNUAL COMPLIANCE REPORT PURSUANT TO RULE 17a-5

EXEMPTION REPORT FROM RULE 15c3-3

Name of Company: Parnassus Funds Distributor

Reporting Date: December 31, 2015

1. Provisions in paragraph (k) of Rule 15c3-3 for which an exemption is claimed:
Parnassus Funds Distributor (the "Company") operates under the provisions of paragraph (k)(2)(i) of SEC Rule 15c3-3 whereas the Company does not hold customer funds or safe keep of customer securities, and as such is exempt from the remaining provisions of rule 15c3-3(k)(2)(ii).

The company claims an exemption from the amended SEC Rule 17a-5 requiring broker-dealers to file a compliance report annually with its financial statements.

2. Parnassus Funds Distributor met the identified exemption provisions throughout the most recent fiscal year ending December 31, 2015 without exception.
3. Exceptions during the year ending December 31, 2015: NONE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: February 23, 2016

Parnassus Funds Distributor

By: /S/ Marc C. Mahon

Name: Marc C. Mahon

Title: Treasurer