Food Bank of Lincoln, Inc.
and Food Bank of Lincoln Foundation
Lincoln, Nebraska

June 30, 2016

Consolidated Financial Statements
and
Reports of Independent Certified Public Accountants

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Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation

Year ended June 30, 2016

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Food Bank of Lincoln, Inc.
and Food Bank of Lincoln Foundation
Lincoln, Nebraska

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of the Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation as of June 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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 consolidated 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 entity'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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation as of June 30, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position, activities, and expenses are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR), Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the consolidated financial statements. 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or the consolidated 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 is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2016, on our consideration of the Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation's internal control over financial reporting and compliance.

HBE Becker Meyer Love LLP

October 19, 2016

Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS

CURRENT ASSETS	
Cash and cash equivalents (note A)	$ 868,028
Certificates of deposit	538,586
Accounts receivable (note A)	22,595
Pledges receivable, current portion (notes A and C)	298,505
Promises to give (note A)	49,965
Grants receivable (note A)	71,137
Prepaid expenses	344,536
Inventory - purchased (note A)	556,885
Inventory - donated (notes A and D)	294,862
Inventory held for others (notes A and D)	100,113
Total current assets	3,145,212
PROPERTY AND EQUIPMENT, net (notes A and E)	888,540
OTHER ASSETS	
Pledges receivable, less current portion (notes A and C)	28,620
Investments (notes A, D and F)	1,133,614
Total other assets	1,162,234
Total assets	$ 5,195,986

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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 111,048
Agency overpayment	26,675
Capital lease obligation (notes A and M)	2,810
Payroll taxes payable	1,325
Accrued wages	38,964
Accrued vacation	30,841
Inventory held for others (notes A and D)	100,113
Total current liabilities	311,776
NET ASSETS (note A)	
Unrestricted	
Undesignated	3,736,800
Board designated (note B)	462,030
Temporarily restricted (note B)	685,380
Total net assets	4,884,210
Total liabilities and net assets	$ 5,195,986

See accompanying notes to consolidated financial statements.

Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2016

CHANGES IN UNRESTRICTED NET ASSETS	
Revenue and support	
Value of contributed inventory (note A)	$ 13,282,840
Contributions (note H)	1,647,148
In-kind goods and services (notes A and I)	86,691
Governmental program support	201,356
Investment income	29,994
Agency cooperative purchasing and fees	262,804
Realized and unrealized losses on investments (note A)	(20,154)
Miscellaneous	7,993
Total revenue and support	15,498,672
Net assets released from restrictions (note A)	1,794,438
Total unrestricted revenue and support	17,293,110
Expenses	
Program	
Operations	14,993,639
Child Hunger	1,027,793
SNAP	184,978
BOP	53,253
Management and General	398,252
Fundraising	604,119
Total expenses	17,262,034
Increase in unrestricted net assets	31,076
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	
Food purchasing contributions	87,226
Restricted grants and contributions (note H)	1,395,410
Total temporarily restricted revenue and support	1,482,636
Net assets released from restrictions (note A)	(1,794,438)
Decrease in temporarily restricted net assets	(311,802)
DECREASE IN NET ASSETS	(280,726)
Net assets at beginning of year	5,164,936
Net assets at end of year	$ 4,884,210

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See accompanying notes to consolidated financial statements.

Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2016

	Program							
	Operations	Child Hunger	SNAP	BOP	Total Program	Management and General	Fundraising	Total
Contributed food distributed	$ 13,554,291	$ -	$ -	$ -	$ 13,554,291	$ -	$ -	$ 13,554,291
Food acquisition	531,004	666,376	-	-	1,197,380	-	26,394	1,223,774
Food distributed	14,085,295	666,376	-	-	14,751,671	-	26,394	14,778,065
Employee compensation	537,138	139,781	143,261	27,917	848,097	310,015	247,570	1,405,682
Pension contribution and fees (note J)	14,159	4,132	3,709	1,213	23,213	9,749	5,905	38,867
Professional fees	24,435	8,686	22,528	5,366	61,015	35,036	12,516	108,567
Office expenses, supplies, postage	79,041	14,537	3,319	7,565	104,462	24,862	12,877	142,201
Occupancy	51,330	79,715	5,181	2,128	138,354	4,343	4,901	147,598
Printing and promotion	68	1,078	560	246	1,952	163	206,931	209,046
Travel	7,897	2,961	2,031	8,670	21,559	8,957	11,406	41,922
Transportation	91,065	26,915	457	4	118,441	119	460	119,020
In-kind goods and services (notes A and I)	5,193	12,982	245	-	18,420	437	67,834	86,691
Miscellaneous	412	36,257	1,186	144	37,999	23	3,096	41,118
Agency	552	-	-	-	552	-	-	552
Operating expenses	811,290	327,044	182,477	53,253	1,374,064	393,704	573,496	2,341,264
Depreciation (notes A and E)	97,054	34,373	2,501	-	133,928	4,548	4,229	142,705
Total expenses	$ 14,993,639	$ 1,027,793	$ 184,978	$ 53,253	$ 16,259,663	$ 398,252	$ 604,119	$ 17,262,034

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See accompanying notes to consolidated financial statements.

Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2016

Cash flows from operating activities	
Cash received from revenue and support	$ 4,185,175
Cash paid to employees and suppliers	(3,656,183)
Investment income received	29,994
Net cash provided by operating activities	558,986
Cash flows from investing activities	
Purchase of certificates of deposit	(5,689)
Purchase of property and equipment	(101,040)
Proceeds from sale of property and equipment	1,800
Purchase of investments	(1,660,105)
Proceeds from maturity or sale of investments	1,794,392
Net cash provided by investing activities	29,358
Cash flows from financing activities	
Payments on capital lease obligation	(1,068)
Increase in cash and cash equivalents	587,276
Cash and cash equivalents at beginning of year	280,752
Cash and cash equivalents at end of year	$ 868,028
Reconciliation of increase in net assets to net cash provided by operating activities	
Decrease in net assets	$ (280,726)
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	142,705
Realized and unrealized losses on investments	20,154
Loss on disposal of equipment	144
(Increase) decrease in assets	
Accounts receivable	9,431
Pledges receivable	24,244
Promises to give	404,498
Grants receivable	6,821
Prepaid expenses	(134,595)
Inventory	275,163
Inventory held for others	(2,324)
Increase (decrease) in liabilities	
Accounts payable	70,125
Agency overpayment	7,688
Payroll taxes payable	(4,801)
Accrued wages	11,975
Accrued vacation	6,160
Inventory held for others	2,324
Total adjustments to decrease in net assets	839,712
Net cash provided by operating activities	$ 558,986

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See accompanying notes to consolidated financial statements.

The Food Bank of Lincoln, Inc. is a nonprofit corporation organized to meet the emergency food needs for the sixteen counties it serves in southeast Nebraska.

The Food Bank of Lincoln Foundation is a nonprofit corporation formed for the purpose of supporting the mission of the Food Bank of Lincoln, Inc.

The Food Bank of Lincoln serves as a key organization for receiving, inspecting, storing, and distributing donated and purchased food to nonprofit partner agencies who re-distribute such food to low-income clients in their local areas. The Food Bank of Lincoln operates as a single program but uses several methods for distribution: Operations, Child Hunger, and Snap Outreach.

Operations. The Food Bank Operations department distributes food through its 59 non-profit partners and 90 school partners in southeast Nebraska. The department is charged with the safe delivery of food to approximately 8,700 different people each week.

Mobile pantry distributions occur twenty times within a month at seven different Lincoln locations. Rural mobile pantry distributions take place monthly in fifteen rural counties.

Child Hunger. The Child Hunger programs operate the Food Bank of Lincoln's BackPack program in 90 schools in a sixteen county area and distributes food through mobile pantries within the The School Market program in 10 schools. The Food Bank of Lincoln also operates the Lincoln Public Schools Emergency Pantry. Combined, it is estimated that the Child Hunger programs service between 4,500 and 5,000 families each month.

Snap Outreach. The Food Bank has three full-time SNAP Outreach employees who provide food stamp assistance in the Food Bank's sixteen county service area. During the year ended June 30, 2016, the SNAP Outreach team connected people to approximately 2.5 million meals through food stamp outreach.

Bridges Out of Poverty. The Bridges Out of Poverty program provides periodic trainings to community groups, individuals, employers, and donors that provide a deeper understanding of the culture of poverty through innovative action and discussions related to the factors of economic class and tools for change that can lead to lowering poverty rates.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

Method of Accounting. The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Principles of Consolidation. The accompanying consolidated financial statements include accounts of Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation, a controlled not-for-profit corporation (collectively referred to as the Organization). All significant intercompany accounts and transactions have been eliminated.

Net Asset Classification. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets. Net assets that are not subject to outside restrictions.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Temporarily restricted net assets. Net assets on which grantors or donors have placed restrictions regarding the use of the funds or the time period in which the funds can be used. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions."

Permanently restricted net assets. Net assets whose funds must be held indefinitely. The Organization has not received any contributions that are classified as permanently restricted net assets.

Cash and Cash Equivalents. For purpose of the statement of cash flows, the Organization considers all unrestricted highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the outstanding balances and current relationships with the entities involved, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Grants Receivable and Unearned Grant Income. The Organization is the recipient of Federal and State grants to fund its primary program. Government grants are recorded as revenue when the related approved expenditures are made. Grant funds received in advance of approved expenditures being made are recorded as unearned income. Grants receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history of grantors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Pledges Receivable and Promises to Give. Contributions are recognized when the donor makes a promise or pledge to give that is, in substance, unconditional. Unconditional promises to give and pledges receivable that are expected to be collected or paid in more than one year are recognized at the present value of estimated future cash flows and included in pledges receivable and promises to give.

Inventory. Inventory consists of various food products. At June 30, 2016, donated inventory items are valued at $1.67 per pound which is the approximate average wholesale value of one pound of donated product at the national level as outlined in the *Product Valuation Survey Methodology*, December 2015 prepared by Feeding America, a national food bank network nonprofit corporation. KPMG LLP, an international accounting firm, has performed certain agreed-upon procedures in accordance with standards established by the American Institute of Certified Public Accountants solely to assist Feeding America with respect to determining the approximate average wholesale value of one pound of donated product at the national level. Their report is available upon request. Purchased inventory items are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

Inventory Held for Others. The Organization has a contract with another organization to provide primary storage and inventory services for Commodity Supplemental Food Program (CSFP) inventory. The Organization received income of $21,619 for these services for the year ended June 30, 2016. As an agent, the Organization has chosen to report the donated inventory as both an asset and a liability equal to the fair value of the inventory received. The fair value measurement is consistent with the measurement for the Organization's other inventory.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position. Realized and unrealized gains and losses are included in the consolidated statement of activities.

Fair Value Measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. The Organization utilizes a framework to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Transfers between levels shall occur at the actual date of the event or change in circumstances that caused the transfer. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Property and Equipment and Depreciation. Property and equipment is carried at cost, if purchased and at fair market value at the date of contribution, if received by donation, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed on the straight-line method. It is the Organization's policy to capitalize property and equipment over $1,000. Lesser amounts are expensed. Property and equipment is depreciated over the following estimated useful lives:

Building	5 to 40 years
Equipment	5 years
Vehicles	5 years
Computers	5 years

Advertising. Advertising costs of the Organization are expensed as incurred. Advertising expense was $166,456 for the year ended June 30, 2016.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In-Kind Donations. In-kind donations are recorded as contributions at their estimated fair values at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would have otherwise been purchased by the Organization.

Leases. Assets which are acquired by lease-purchase agreements and meet the criteria of a capital lease are recorded as assets and obligations at the lesser of the following:

(1) An amount equal to the present value, at the beginning of the lease term, of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs to be paid by the lessor, together with any profit thereon.

(2) Fair value of the leased property at the inception of the lease.

Rental payments under agreements which meet the criteria of an operating lease are expensed when incurred.

Expense Allocation. The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the following basis:

Personnel expenses are allocated on the basis of each job function.

Building and occupancy costs are allocated on the basis of square footage.

Income Taxes. Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, income earned in the performance of their exempt purpose is not subject to income tax. Any income earned through activities not related to their exempt purpose is subject to income tax at normal corporate rates.

Use of Estimates. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - BOARD DESIGNATED AND TEMPORARILY RESTRICTED NET ASSETS

The Food Bank of Lincoln, Inc. Board of Directors designated unrestricted net assets of $117,494 for building improvements at June 30, 2016. Additionally, the Board of Directors has designated unrestricted net assets of $344,536 for various administrative and program expenses budgeted to occur in the fiscal year ending June 30, 2017.

NOTE B - BOARD DESIGNATED AND TEMPORARILY RESTRICTED NET ASSETS – CONT.

Temporarily restricted net assets are those whose use by the Food Bank of Lincoln, Inc. has been limited by donors to a specific time period or for a specific purpose. Temporarily restricted net assets at June 30, 2016 consist of the following:

Child Hunger	$ 387,701
United Way	111,591
Bridges Out of Poverty	74,508
Student Hunger Drive	23,108
2017 Empty Bowls	2,500
2016 holiday turkeys	10,000
Rural mobiles	8,223
Food for rural communities	67,749
	$ 685,380

NOTE C - PLEDGES RECEIVABLE

The following is a schedule of Child Hunger Program and operating pledges receivable to be received in future years:

Year ending June 30,	
2017	$ 298,505
2018	18,620
2019	10,000
	$ 327,125

NOTE D - FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used during the year ended June 30, 2016.

Donated inventory and inventory held for others: Value determined based on the average wholesale value of one pound of donated product at the national level. See note A for further information on inventory valuation.

Bonds: Valued at the closing price reported in the active market in which the security is traded.

Equity securities: Valued at the closing price reported in the active market in which the security is traded.

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NOTE D - FAIR VALUE MEASUREMENTS - CONTINUED

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2016.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Inventory - donated	$ 294,862	$ -	$ 294,862	$ -
Inventory held for others	100,113	-	100,113	-
Investments:				
Bonds:				
Corporate high yield	21,090	21,090	-	-
International intermediate-term	333,929	333,929	-	-
International world	20,999	20,999	-	-
Treasury inflation-protected	41,613	41,613	-	-
Equity securities:				
Domestic large blend	446,260	446,260	-	-
Domestic mid-cap blend	35,704	35,704	-	-
Domestic small blend	53,006	53,006	-	-
Global diversified emerging markets	37,027	37,027	-	-
Global foreign large blend	143,986	143,986	-	-
Total investments	1,133,614	1,133,614	-	-
	$ 1,528,589	$ 1,133,614	$ 394,975	$ -
Liabilities:				
Inventory held for others	$ 100,113	$ -	$ 100,113	$ -

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NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consists of:

Land	$ 171,700
Building	857,572
Equipment	344,517
Vehicles	513,759
Computers	97,905
	1,985,453
Less accumulated depreciation	(1,096,913)
	$ 888,540

The consolidated financial statements include depreciation expense of $142,705 for the year ended June 30, 2016.

NOTE F - INVESTMENTS

Investments consist of:

	Cost	Fair Market Value
Bonds	$ 405,172	$ 417,631
Equity securities	691,019	715,983
Total investments	$ 1,096,191	$ 1,133,614
Gross unrealized gain		$ 37,423

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NOTE G - LETTER AND LINE OF CREDIT

The Organization has a $45,000 operating letter of credit, which had not been drawn down as of June 30, 2016. The interest rate is the bank base rate. The letter of credit expires on April 15, 2017. The letter is secured by monies in the bank's control.

The Organization has a $300,000 operating line of credit, which had not been drawn down as of June 30, 2016. The interest rate is 2.30%. The line of credit expires on October 25, 2016. The line is secured by a $200,000 certificate of deposit.

NOTE H - CONTRIBUTIONS AND SPECIAL EVENTS

Contributions are recorded as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. Contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Organization. Amounts of temporarily restricted contributions are subsequently released to unrestricted net assets when expenses have been incurred in satisfaction of those restrictions.

Cash contributions to the Organization received from various groups during the year ended June 30, 2016, are as follows:

	Temporarily Restricted	Unrestricted	Total
Church	$ 186,325	$ 11,178	$ 197,503
United Way	121,591	35,061	156,652
Foundation	238,961	146,362	385,323
Corporate	182,624	244,466	427,090
Org/Group/Club/Civic	189,149	20,453	209,602
Individual	413,880	613,219	1,027,099
Direct mail	16,117	486,582	502,699
Online	46,763	89,827	136,590
	$ 1,395,410	$ 1,647,148	$ 3,042,558

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NOTE I - IN-KIND GOODS AND SERVICES

The Organization records the estimated fair market value of in-kind services received for advertising and other services provided by various corporate donors. Amounts for these types of services totaled $46,621 for the year ended June 30, 2016. Additional in-kind donations totaling $40,070 were received for supplies for the Food Bank's operations.

NOTE J - PENSION PLAN

The Organization sponsors a Simplified Employee Pension (SEP) plan. Any employee whose compensation during the year is greater than $550, who is over the age of 19, and has worked in at least two years of the immediately preceding five years is eligible to participate effective January 1st following the year they meet the eligibility requirements. The Organization contributes 5% of each eligible employee's salary to the plan. All contributions are fully vested upon the employee's participation. The Organization contributed $37,206 for the year ended June 30, 2016.

The Organization also sponsors a defined contribution pension plan under Internal Revenue Code Section 403(b), tax deferred annuity plan, covering substantially all employees. Employee contributions are optional.

NOTE K - INCOME TAXES

Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. For the year ended June 30, 2016, Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation had no tax liability on unrelated business activity. Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation believe that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the consolidated financial statements.

Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation's federal Returns of Organization Exempt from Income Tax (Form 990) for June 30, 2016, 2015 and 2014 are subject to examination by the IRS, generally for three years after they were filed.

NOTE L - CONCENTRATIONS

Distributed Goods

During the year ended June 30, 2016, the Food Bank distributed 33% of its total pounds to the Center for People in Need.

Financial Instruments

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of checking and certificate of deposit accounts at a financial institution. Accounts at each institution are insured by the FDIC up to $250,000. As of June 30, 2016, the Organization had deposits of $798,961 that exceeded federally insured limits; however, the Organization has not experienced any losses on such accounts.

NOTE M - COMMITMENTS

Operating Leases

In March 2016, the Organization entered into a 51-month operating lease for a postage machine. Under the terms of the lease, quarterly rent payments are $287.

In October 2014, the Organization entered into a 60-month operating lease for a copier, commencing November 2014. Under the terms of the lease, monthly rent payments are $134.

In July 2014, the Organization entered into a 48-month operating lease for the real property located at 4800 Doris Bair Circle, Lincoln, Nebraska. Under the terms of the lease, monthly rent payments are $5,596 and $5,879 for the years ending June 30, 2017 and 2018, respectively.

In April 2012, the Organization entered into a 60-month operating lease for a copier. Under the terms of the lease, monthly rent payments are $237.

NOTE M - COMMITMENTS - CONTINUED

The financial statements include rent expense of $78,549 for the year ended June 30, 2016.

Future minimum lease payments are as follows:

Year ending June 30,	
2017	$ 72,038
2018	73,305
2019	2,755
2020	1,792
	$ 149,890

Capital Lease

In September 2013, the Organization entered into a 36-month capital lease for computer equipment totaling $11,703, commencing October 1, 2013. Capital lease amortization is included in depreciation expense. Accumulated amortization at June 30, 2016 was $4,574. On August 3, 2015, the lease was amended to add additional computer equipment totaling $7,462. Accumulated amortization on the additional equipment as of June 30, 2016 was $1,174. Commencing September 1, 2015, monthly lease payments are $957, continuing until September 30, 2016. Future lease payments include $2,810 due in the year ending June 30, 2017.

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NOTE N - CONTINGENCIES

Two reversion agreements existed as of June 30, 2016 that require the Organization to repay $125,000 to two entities if the Organization ceases to exist.

NOTE O - SUBSEQUENT EVENTS

Subsequent events have been evaluated through the audit report date, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

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Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS

	Food Bank of Lincoln, Inc.	Food Bank of Lincoln Foundation	Eliminations	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	$ 798,619	$ 69,409	$ -	$ 868,028
Certificates of deposit	538,586	-	-	538,586
Accounts receivable	22,595	-	-	22,595
Pledges receivable, current portion	298,505	-	-	298,505
Promises to give	49,965	-	-	49,965
Grants receivable	71,137	-	-	71,137
Prepaid expenses	344,536	-	-	344,536
Inventory - purchased	556,885	-	-	556,885
Inventory - donated	294,862	-	-	294,862
Inventory held for others	100,113	-	-	100,113
Total current assets	3,075,803	69,409	-	3,145,212
PROPERTY AND EQUIPMENT, net	888,540	-	-	888,540
OTHER ASSETS				
Pledges receivable, less current portion	28,620	-	-	28,620
Investments	-	1,133,614	-	1,133,614
Total other assets	28,620	1,133,614	-	1,162,234
Total assets	$ 3,992,963	$ 1,203,023	$ -	$ 5,195,986

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES				
Accounts payable	$ 111,048	$ -	$ -	$ 111,048
Agency overpayment	26,675	-	-	26,675
Capital lease obligation	2,810	-	-	2,810
Payroll taxes payable	1,325	-	-	1,325
Accrued wages	38,964	-	-	38,964
Accrued vacation	30,841	-	-	30,841
Inventory held for others	100,113	-	-	100,113
Total current liabilities	311,776	-	-	311,776
NET ASSETS				
Unrestricted				
Undesignated	2,533,777	1,203,023	-	3,736,800
Board designated	462,030	-	-	462,030
Temporarily restricted	685,380	-	-	685,380
Total net assets	3,681,187	1,203,023	-	4,884,210
Total liabilities and net assets	$ 3,992,963	$ 1,203,023	$ -	$ 5,195,986

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Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended June 30, 2016

	Food Bank of Lincoln, Inc.	Food Bank of Lincoln Foundation	Eliminations	Consolidated
CHANGES IN UNRESTRICTED NET ASSETS				
Revenue and support				
Value of contributed inventory	$ 13,282,840	$ -	$ -	$ 13,282,840
Contributions	1,725,958	1,258	(80,068)	1,647,148
In-kind goods and services	86,691	-	-	86,691
Governmental program support	201,356	-	-	201,356
Investment income	5,079	24,915	-	29,994
Agency cooperative purchasing and fees	262,804	-	-	262,804
Realized and unrealized losses on investments	-	(20,154)	-	(20,154)
Miscellaneous	7,993	-	-	7,993
Total revenue and support	15,572,721	6,019	(80,068)	15,498,672
Net assets released from restrictions	1,794,438	-	-	1,794,438
Total unrestricted revenue and support	17,367,159	6,019	(80,068)	17,293,110
Expenses				
Program				
Operations	14,993,639	-	-	14,993,639
Child Hunger	1,027,793	-	-	1,027,793
SNAP	184,978	-	-	184,978
BOP	53,253	-	-	53,253
Management and General	393,263	85,057	(80,068)	398,252
Fundraising	604,119	-	-	604,119
Total expenses	17,257,045	85,057	(80,068)	17,262,034
Increase (decrease) in unrestricted net assets	110,114	(79,038)	-	31,076
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS				
Food purchasing contributions	87,226	-	-	87,226
Restricted grants and contributions	1,395,410	-	-	1,395,410
Total temporarily restricted revenue and support	1,482,636	-	-	1,482,636
Net assets released from restrictions	(1,794,438)	-	-	(1,794,438)
Decrease in temporarily restricted net assets	(311,802)	-	-	(311,802)
DECREASE IN NET ASSETS	(201,688)	(79,038)	-	(280,726)
Net assets at beginning of year	3,882,875	1,282,061	-	5,164,936
Net assets at end of year	$ 3,681,187	$ 1,203,023	$ -	$ 4,884,210

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Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation

CONSOLIDATING STATEMENT OF EXPENSES

Year ended June 30, 2016

	Food Bank of Lincoln, Inc.	Food Bank of Lincoln Foundation	Eliminations	Consolidated
Contributed food distributed	$ 13,554,291	$ -	$ -	$ 13,554,291
Food acquisition	1,223,774	-	-	1,223,774
Employee compensation	1,405,682	-	-	1,405,682
Pension contribution and fees	38,867	-	-	38,867
Professional fees	103,578	4,989	-	108,567
Office expenses, supplies, postage	142,201	-	-	142,201
Occupancy	147,598	-	-	147,598
Printing and promotion	209,046	-	-	209,046
Travel	41,922	-	-	41,922
Transportation	119,020	-	-	119,020
In-kind goods and services	86,691	-	-	86,691
Contributions	-	80,068	(80,068)	-
Miscellaneous	41,118	-	-	41,118
Agency	552	-	-	552
Depreciation	142,705	-	-	142,705
	$ 17,257,045	$ 85,057	$ (80,068)	$ 17,262,034

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Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2016

Cluster/Program	Federal Agency/ Pass Through Entity	CFDA Number	Grant Identifying Number	Amount Expended
Emergency Food Assistance Cluster:				
Emergency Food Assistance Program - Administrative Costs	U.S. Department of Agriculture/ Nebraska Department of Health and Human Services	10.568	201616Y810543	91,867
Emergency Food Assistance Program - Food Commodities	U.S. Department of Agriculture/ Nebraska Department of Health and Human Services	10.569	201616Y810543	1,317,478
Cluster total				1,409,345
Emergency Food and Shelter National Board Program	U.S. Department Homeland Security/ United Way Worldwide/ Community Action Partnership of Lancaster and Saunders Counties	97.024		3,177
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	U.S. Department of Agriculture/ Nebraska Department of Health and Human Services	10.561	15133NE406S2514	89,483
				$ 1,502,005

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation. The accompanying schedule of federal awards includes the federal grant activity of Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation and is presented on the accrual basis of accounting. Grant awards are considered expended when the expense transactions associated with the grant occur. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic consolidated financial statements. The schedule includes noncash assistance totaling $1,317,478 for CFDA #10.569, which represents food commodities distributed to program beneficiaries.

Subrecipients. The Organization provided no federal awards to subrecipients.

Indirect Costs. The Organization did not elect to use the ten percent deminimis indirect cost rate as allowed in the Uniform Guidance, 2 CFR 200.414.

SINGLE AUDIT SECTION

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Food Bank of Lincoln, Inc.
and Food Bank of Lincoln Foundation
Lincoln, Nebraska

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation, which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 19, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HBE Becker Meyer Love LLP

October 19, 2016

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
Food Bank of Lincoln, Inc.
and Food Bank of Lincoln Foundation
Lincoln, Nebraska

Report on Compliance for Each Major Federal Program

We have audited Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation's major federal programs for the year ended June 30, 2016. Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and; the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

HBE Becker Meyer Love LLP

October 19, 2016

Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2016

Summary of Auditor's Results

a) An unmodified audit report was issued on the consolidated financial statements of Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation.

b) No deficiencies in internal control were disclosed by the audit of the consolidated financial statements.

c) The audit did not disclose any noncompliance which would be material to the consolidated financial statements.

d) No deficiencies in internal control over its major federal award programs were disclosed by the audit.

e) An unmodified audit report was issued on compliance for Food Bank of Lincoln, Inc. and Food Bank of Lincoln's major federal award programs.

f) The audit disclosed no audit findings which were required to be reported relative to the major federal award programs.

g) The programs tested as major programs include:

U.S. Department of Agriculture Emergency Food Assistance Cluster:

10.568 Emergency Food Assistance Program - Administrative Costs

10.569 Emergency Food Assistance Program - Food Commodities

h) The dollar threshold used to distinguish between Type A and Type B programs was $750,000.

i) Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation did not qualify as a low-risk auditee as defined by the Uniform Guidance.

Findings – Financial Statements Audit

None

Findings and Questioned Costs – Major Federal Awards Program Audit

None

Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2016

Findings – Financial Statements Audit

2015-001 *Condition:* Material audit adjustments were proposed that were not identified by the Organization's internal control system.

Corrective Action Planned: The Organization will continue to enhance its internal control process for identifying and correcting unintentional deviations from accounting principles generally accepted in the United States of America. Procedures will be developed and documented to correct the specific areas that were impacted by the adjustments proposed as a result of the audit.

Status: Corrected.

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