

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

June 30, 2019 and 2018

***Consolidated Financial Statements
and
Independent Auditor's Report***



CPAs & Consultants | Wealth Management

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

Years ended June 30, 2019 and 2018

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1-2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5-6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-19
Supplemental Information	
Consolidating Statements of Financial Position	22-23
Consolidating Statements of Activities	24-25
Consolidating Statements of Expenses	26-27
Schedule of Expenditures of Federal Awards	28
Single Audit Section	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31-32
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	33-35
Schedule of Findings and Questioned Costs	36-37
Corrective Action Plan	38



CPAs & Consultants | Wealth Management

INDEPENDENT AUDITOR'S REPORT

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 financial statements of Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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.

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, 2019 and 2018, and the changes in their net assets and their cash flows for the years 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 also 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 January 27, 2020, 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 LLP

Lincoln, Nebraska
January 27, 2020

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS

	2019	2018 (as restated)
CURRENT ASSETS		
Cash and cash equivalents (note A)	\$ 1,485,918	\$ 1,439,827
Certificates of deposit	564,252	556,330
Accounts receivable (note A)	17,917	20,974
Pledges receivable, current portion (notes A and C)	427,699	232,129
Promises to give (note A)	-	7,028
Grants receivable (note A)	334,443	217,088
Prepaid expenses	5,111	21,227
Inventory, purchased (note A)	431,005	381,705
Inventory, donated (notes A and D)	1,011,921	606,792
Inventory, CSFP (notes A and D)	127,825	94,626
Total current assets	<u>4,406,091</u>	<u>3,577,726</u>
PROPERTY AND EQUIPMENT, net (notes A and E)	<u>1,004,981</u>	<u>956,065</u>
OTHER ASSETS		
Pledges receivable, less current portion (notes A and C)	200,000	8,500
Investments (notes A, D and F)	1,241,032	1,255,275
Total other assets	<u>1,441,032</u>	<u>1,263,775</u>
Total assets	<u>\$ 6,852,104</u>	<u>\$ 5,797,566</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 114,356	\$ 278,209
Agency credits	3,090	505
Payroll taxes payable	2,364	3,400
Accrued wages	52,861	46,643
Accrued vacation	42,323	39,217
Inventory held for others (notes A and D)	-	94,626
Total current liabilities	<u>214,994</u>	<u>462,600</u>
NET ASSETS (note A)		
Without donor restrictions		
Undesignated	5,185,933	4,088,913
Board designated (note B)	122,604	138,721
With donor restrictions (note B)	1,328,573	1,107,332
Total net assets	<u>6,637,110</u>	<u>5,334,966</u>
Total liabilities and net assets	<u>\$ 6,852,104</u>	<u>\$ 5,797,566</u>

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended June 30,

	2019			2018 (as restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Value of contributed inventory (note A)	\$ 12,165,796	\$ 98,857	\$ 12,264,653	\$ 12,402,350	\$ 79,644	\$ 12,481,994
Contributions (note H)	1,873,533	2,193,042	4,066,575	1,735,530	1,658,522	3,394,052
In-kind goods and services (notes A and I)	118,038	-	118,038	87,100	-	87,100
Governmental program support	712,840	-	712,840	370,151	-	370,151
Investment income (note F)	56,652	-	56,652	30,770	-	30,770
Agency cooperative purchasing and fees	173,128	-	173,128	206,626	-	206,626
Realized and unrealized gains on investments (notes A and F)	47,420	-	47,420	67,711	-	67,711
Miscellaneous	8,713	-	8,713	7,902	-	7,902
Net assets released from restrictions (note A)	2,070,658	(2,070,658)	-	1,539,532	(1,539,532)	-
Total revenue and support	17,226,778	221,241	17,448,019	16,447,672	198,634	16,646,306
EXPENSES						
Program						
Operations	13,240,672	-	13,240,672	13,919,020	-	13,919,020
Child Hunger	1,544,415	-	1,544,415	1,481,326	-	1,481,326
SNAP	199,450	-	199,450	192,906	-	192,906
BOP	63,644	-	63,644	70,941	-	70,941
Management and general	368,510	-	368,510	360,920	-	360,920
Fundraising	729,184	-	729,184	671,775	-	671,775
Total expenses	16,145,875	-	16,145,875	16,696,888	-	16,696,888
INCREASE IN NET ASSETS	1,080,903	221,241	1,302,144	(249,216)	198,634	(50,582)
Net assets at beginning of year	4,227,634	1,107,332	5,334,966	4,476,850	908,698	5,385,548
Net assets at end of year	\$ 5,308,537	\$ 1,328,573	\$ 6,637,110	\$ 4,227,634	\$ 1,107,332	\$ 5,334,966

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, 2019

	Program				Total Program	Management and General	Fundraising	Total
	Operations	Child Hunger	SNAP	BOP				
Contributed food distributed	\$ 11,583,542	\$ -	\$ -	\$ -	\$ 11,583,542	\$ -	\$ -	\$ 11,583,542
Food acquisition	456,378	834,597	-	-	1,290,975	-	20,057	1,311,032
Food distributed	12,039,920	834,597	-	-	12,874,517	-	20,057	12,894,574
Employee compensation	732,169	214,207	157,038	27,155	1,130,569	286,610	306,634	1,723,813
Pension contribution and fees (note J)	24,366	7,354	5,188	1,234	38,142	11,823	13,287	63,252
Professional fees	48,747	9,028	22,126	14,856	94,757	34,585	25,849	155,191
Office expenses, supplies and postage	65,904	40,506	5,024	7,452	118,886	15,616	22,233	156,735
Occupancy	61,257	96,271	6,247	542	164,317	7,472	7,851	179,640
Printing and promotion	52	20,111	-	-	20,163	40	219,838	240,041
Travel	5,878	2,700	882	12,251	21,711	7,213	12,250	41,174
Transportation	138,954	20,477	415	4	159,850	412	1,007	161,269
In-kind goods and services (notes A and D)	4,359	17,733	226	-	22,318	1,151	94,569	118,038
Miscellaneous	1,628	2,792	15	-	4,435	723	1,553	6,711
Agency	1,181	253,634	-	-	254,815	-	-	254,815
Operating expenses	1,084,495	684,813	197,161	63,494	2,029,963	365,645	705,071	3,100,679
Depreciation (notes A and E)	116,257	25,005	2,289	150	143,701	2,865	4,056	150,622
Total expenses	\$ 13,240,672	\$ 1,544,415	\$ 199,450	\$ 63,644	\$ 15,048,181	\$ 368,510	\$ 729,184	\$ 16,145,875



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, 2018, as restated

	Program				Total Program	Management and General	Fundraising	Total
	Operations	Child Hunger	SNAP	BOP				
Contributed food distributed	\$ 12,270,865	\$ -	\$ -	\$ -	\$ 12,270,865	\$ -	\$ -	\$ 12,270,865
Food acquisition	562,838	1,006,260	-	-	1,569,098	-	14,867	1,583,965
Food distributed	12,833,703	1,006,260	-	-	13,839,963	-	14,867	13,854,830
Employee compensation	676,605	159,511	150,980	36,029	1,023,125	283,495	292,232	1,598,852
Pension contribution and fees (note J)	22,015	4,753	5,135	1,581	33,484	11,626	12,714	57,824
Professional fees	30,297	2,621	21,919	16,333	71,170	31,529	22,221	124,920
Office expenses, supplies and postage	65,833	27,646	3,751	3,627	100,857	14,781	20,492	136,130
Occupancy	58,016	88,496	5,471	667	152,650	6,324	6,655	165,629
Printing and promotion	-	18,461	-	-	18,461	-	203,903	222,364
Travel	11,759	2,068	2,539	12,601	28,967	8,177	11,528	48,672
Transportation	109,672	19,043	1,161	-	129,876	156	1,032	131,064
In-kind goods and services (notes A and D)	3,773	944	225	-	4,942	1,398	80,760	87,100
Miscellaneous	864	1,219	-	-	2,083	985	2,089	5,157
Agency	2,725	123,331	-	-	126,056	-	-	126,056
Operating expenses	981,559	448,093	191,181	70,838	1,691,671	358,471	653,626	2,703,768
Depreciation (notes A and E)	103,758	26,973	1,725	103	132,559	2,449	3,282	138,290
Total expenses	\$ 13,919,020	\$ 1,481,326	\$ 192,906	\$ 70,941	\$ 15,664,193	\$ 360,920	\$ 671,775	\$ 16,696,888



See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,

	2019	2018 (as restated)
Cash flows from operating activities		
Cash received from revenue and support	\$ 4,089,208	\$ 4,257,281
Cash paid to employees and suppliers	(3,958,600)	(3,833,693)
Investment income received	56,652	30,770
Net cash provided by operating activities	<u>187,260</u>	<u>454,358</u>
Cash flows from investing activities		
Purchase of certificates of deposit	(7,922)	(3,852)
Purchase of property and equipment	(199,963)	(171,279)
Proceeds from sale of equipment	-	1,400
Purchase of investments	(101,788)	-
Proceeds from maturity or sale of investments	168,504	-
Net cash used by investing activities	<u>(141,169)</u>	<u>(173,731)</u>
Increase in cash and cash equivalents	46,091	280,627
Cash and cash equivalents at beginning of year	<u>1,439,827</u>	<u>1,159,200</u>
Cash and cash equivalents at end of year	<u>\$ 1,485,918</u>	<u>\$ 1,439,827</u>
Reconciliation of increase in net assets to net cash provided by operating activities		
Increase in net assets	<u>\$ 1,302,144</u>	<u>\$ (50,582)</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	150,622	138,290
Realized and unrealized gains on investments	(47,420)	(67,711)
(Gain) loss on disposal of equipment	425	(842)
Stock gift	(5,053)	-
(Increase) decrease in assets		
Accounts receivable	3,057	6,133
Pledges receivable	(387,070)	28,924
Promises to give	7,028	30,472
Grants receivable	(117,355)	(106,495)
Prepaid expenses	16,116	382,625
Inventory	(454,429)	(131,485)
Inventory, CSFP	(33,199)	(11,268)
Increase (decrease) in liabilities		
Accounts payable	(163,853)	241,108
Agency credits	2,585	(8,524)
Payroll taxes payable	(1,036)	1,177
Accrued wages	6,218	2,591
Accrued vacation	3,106	2,927
Inventory held for others	(94,626)	11,268
Unearned revenue	-	(14,250)
Total adjustments to increase in net assets	<u>(1,114,884)</u>	<u>504,940</u>
Net cash provided by operating activities	<u>\$ 187,260</u>	<u>\$ 454,358</u>

See accompanying notes to consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

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, Snap Outreach, and Bridges Out of Poverty.

Operations. The Food Bank Operations department distributes food through its 51 non-profit partners in southeast Nebraska. The department is charged with the safe delivery of food to around 7,000 families/20,000 individuals a month.

Mobile pantry distributions occur 20 times within a month at nine different Lincoln locations. Rural mobile pantry distributions take place monthly in 15 rural counties.

Child Hunger. The Food Bank of Lincoln's Backpack program operates in 90 schools in a 16-county area and distributes food through mobile pantries within The School Market program in 25 schools. The Lincoln Public Schools Emergency Pantry is operated during the school year. The Organization also operates a Summer Food Service Program, which provides healthy meals to children and teens in low-income areas during summer months when school is not in session. Combined, it is estimated that the Child Hunger programs service 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 16 county service area. It is estimated that the SNAP Outreach team connects people to approximately 2.9 million meals annually 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. The initiative also works specifically with low-income individuals through a class called Getting Ahead in a Just-Gettin' by World to help individuals gain more stability in their lives.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New Accounting Pronouncement. On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Principles of Consolidation. The accompanying consolidated financial statements include the 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 in consolidation.

Cash and Cash Equivalents. For purpose of the consolidated statements of cash flows, the Organization considers all unrestricted highly liquid instruments purchased with an original 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. The Organization is the recipient of Federal and State grants to fund some of its programs. Government grants are recorded as revenue when the related approved expenditures are made. 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. At June 30, 2019 and 2018, donated inventory items are valued at \$1.52 and \$1.57 per pound, respectively, which is the approximate average wholesale value of one pound of donated food at the national level as outlined in the Product Valuation Survey Methodology, December 31, 2018 and 2017, respectively, prepared by Feeding America, a national food bank network nonprofit corporation. RSM US LLP, 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, CSFP. The Organization had a contract with another organization to provide primary storage and inventory services for Commodity Supplemental Food Program (CSFP) inventory. The Organization received income of \$31,729 and \$19,956, respectively for these services for years ended June 30, 2019 and 2018. Previously, the Organization had chosen to report the donated inventory as both an asset and a liability equal to the fair value of the inventory received. However, during the year, the other Organization terminated and the remaining inventory was all donated to Food Bank of Lincoln, Inc. The fair value measurement is consistent with the measurement for the Organization's other donated inventory.

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 statements of activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 \$2,500. 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
Land Improvements	15 years

Net Asset Classification. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without donor restrictions. Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Asset Classification - Continued.

With donor restrictions. Net assets subject to donor- or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions.

Advertising. Advertising costs of the Organization are expensed as incurred. Advertising expense was \$198,097 and \$180,187 for the years ended June 30, 2019 and 2018, respectively.

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. For the years ended June 30, 2019 and 2018, the Organization had no tax liability on unrelated business activity. The Organization believes that it has appropriate support for any tax positions taken, and as such, does 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 the years ended June 30, 2019, 2018 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 net assets without donor restrictions of \$117,494 for building improvements for each of the years ended June 30, 2019 and 2018. Additionally, the Board of Directors has designated net assets without donor restrictions of \$5,110 and \$21,227 for various administrative and program expenses budgeted to occur in the fiscal years ending June 30, 2019 and 2018, respectively.

	<u>2019</u>	<u>2018</u>
Board designated:		
Board designated reserve fund (prepaid expenses)	\$ 5,110	\$ 21,227
Board designated reserve fund (building)	<u>117,494</u>	<u>117,494</u>
	<u>\$ 122,604</u>	<u>\$ 138,721</u>
Net assets with donor restrictions consist of the following:		
Subject to purpose restrictions:		
Child Hunger	\$ 1,054,923	\$ 887,421
United Way	59,234	-
Food Purchasing	57,924	42,857
Bridges Out of Poverty	44,339	-
Flood Relief	12,900	-
Student Hunger Drive	9,949	14,463
Equipment	8,500	-
Food for Rural Communities	4,356	2,693
Holiday Turkeys	157	7,736
Produce Purchasing	-	50,000
Subject to time restrictions:		
Child Hunger	22,485	-
(a) United Way	30,000	86,542
Bridges Out of Poverty	6,000	5,620
Snap Outreach	15,306	-
Empty Bowls	<u>2,500</u>	<u>10,000</u>
	<u>\$ 1,328,573</u>	<u>\$ 1,107,332</u>

(a) These funds are restricted for the purchase of produce used for the Lincoln Mobile Distribution.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTE B - BOARD DESIGNATED AND TEMPORARILY RESTRICTED NET ASSETS - CONTINUED

As discussed in Note A, the Organization adopted ASU 2016-14 as of and for the year ended June 30, 2019. In accordance with the ASU, changes in net assets are as follows:

	Previously Reported (as restated)	ASU 2016-14 Implementation	<u>As Adjusted</u>
Unrestricted net assets as of June 30, 2018	\$ 4,227,634	\$ (4,227,634)	\$ -
Temporarily restricted net assets as of June 30, 2018	1,107,332	(1,107,332)	-
Permanently restricted net assets as of June 30, 2018	-	-	-
Without donor restriction as of July 1, 2018	-	4,227,634	4,227,634
With donor restrictions as of July 1, 2018	-	<u>1,107,332</u>	<u>1,107,332</u>
Total net assets as of July 1, 2018	<u>\$ 5,334,966</u>	<u>\$ -</u>	<u>\$ 5,334,966</u>

NOTE C - PLEDGES RECEIVABLE

Pledges receivable are due in the following periods:

<u>Years ending June 30,</u>	
2020	\$ 427,699
2021	100,000
2022	<u>100,000</u>
	<u>\$ 627,699</u>

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 years ended June 30, 2019 and 2018.

Donated inventory and inventory, CSFP: 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 and equity securities: Valued at the closing price reported in the active market in which the security is traded.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTE D - FAIR VALUE MEASUREMENTS - CONTINUED

The following tables set forth the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2019 and 2018.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2019				
Assets				
Inventory, donated	\$ 1,011,921	\$ -	\$ 1,011,921	\$ -
Inventory, CSFP	127,825	-	127,825	-
Investments				
Bonds				
Corporate high yield	23,800	23,800	-	-
International intermediate-term	384,896	384,896	-	-
Total international	24,295	24,295	-	-
Treasury inflation-protected	47,643	47,643	-	-
Equity securities				
Domestic large blend	460,105	460,105	-	-
Domestic mid-cap blend	38,075	38,075	-	-
Domestic small blend	75,418	75,418	-	-
Global diversified emerging markets	55,289	55,289	-	-
Global foreign large blend	131,511	131,511	-	-
Total investments	1,241,032	1,241,032	-	-
	<u>\$ 2,380,778</u>	<u>\$ 1,241,032</u>	<u>\$ 1,139,746</u>	<u>\$ -</u>
June 30, 2018				
Assets				
Inventory, donated	\$ 606,792	\$ -	\$ 606,792	\$ -
Inventory, CSFP	94,626	-	94,626	-
Investments				
Bonds				
Corporate high yield	20,845	20,845	-	-
International intermediate-term	335,888	335,888	-	-
International world	21,610	21,610	-	-
Treasury inflation-protected	42,304	42,304	-	-
Equity securities				
Domestic large blend	523,983	523,983	-	-
Domestic mid-cap blend	41,683	41,683	-	-
Domestic small blend	65,672	65,672	-	-
Global diversified emerging markets	39,584	39,584	-	-
Global foreign large blend	163,706	163,706	-	-
Total investments	1,255,275	1,255,275	-	-
	<u>\$ 1,956,693</u>	<u>\$ 1,255,275</u>	<u>\$ 701,418</u>	<u>\$ -</u>
Liabilities				
Inventory held for others	\$ 94,626	\$ -	\$ 94,626	\$ -

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consists of:

	<u>2019</u>	<u>2018</u>
Land	\$ 171,700	\$ 171,700
Building	857,572	857,572
Equipment	422,415	397,088
Vehicles	850,913	710,877
Computers	143,447	111,786
Land improvements	<u>14,122</u>	<u>14,122</u>
	2,460,169	2,263,145
Less accumulated depreciation	<u>(1,455,188)</u>	<u>(1,307,080)</u>
	<u>\$ 1,004,981</u>	<u>\$ 956,065</u>

The consolidated financial statements include depreciation expense of \$150,622 and \$138,290 for the years ended June 30, 2019 and 2018, respectively.

NOTE F - INVESTMENTS

Investments consist of:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Fair Market Value</u>
Bonds	\$ 467,773	\$ 480,634	\$ 425,820	\$ 420,647
Equity securities	<u>560,623</u>	<u>760,398</u>	<u>627,648</u>	<u>834,628</u>
Total investments	<u>\$ 1,028,396</u>	<u>\$ 1,241,032</u>	<u>\$ 1,053,468</u>	<u>\$ 1,255,275</u>
Gross unrealized gain		<u>\$ 212,636</u>		<u>\$ 201,807</u>

Investment income consist of:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 65,610	\$ 39,867
Realized gains on investments	36,590	-
Unrealized gains on investments	10,830	67,711
Investment fees	<u>(8,958)</u>	<u>(9,097)</u>
	<u>\$ 104,072</u>	<u>\$ 98,481</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

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, 2019 and 2018. The interest rate is the bank base rate. The letter of credit expires February 2020.

The Organization has a \$300,000 operating line of credit, which had not been drawn down as of June 30, 2019 and 2018. The interest rate is 4.5%. The line of credit expires November 1, 2019.

NOTE H - CONTRIBUTIONS AND SPECIAL EVENTS

Contributions are recorded as without or with donor restrictions 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.

Contributions to the Organization recognized from various groups during the years ended June 30, 2019 and 2018, are as follows:

	2019			2018
	With donor restrictions	Without donor restrictions	Total	
Church	\$ 192,557	\$ 8,699	\$ 201,256	\$ 221,219
United Way	1,688	103	1,791	127,486
Foundation	969,606	226,193	1,195,799	306,642
Corporate	177,952	272,384	450,336	429,522
Org/Group/Club/Civic	297,459	22,507	319,966	185,870
Individual	477,634	890,290	1,367,924	1,349,457
Direct mail	21,792	377,173	398,965	602,887
Disaster relief	12,900	-	12,900	-
Online	41,454	76,184	117,638	170,969
	<u>\$ 2,193,042</u>	<u>\$ 1,873,533</u>	<u>\$ 4,066,575</u>	<u>\$ 3,394,052</u>

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 \$99,407 and \$73,453 for the years ended June 30, 2019 and 2018, respectively. Additional in-kind donations totaling \$18,631 and \$13,647 for the years ended June 30, 2019 and 2018, respectively, were received for supplies for the Organization's operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

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 \$61,392 and \$56,168 for the years ended June 30, 2019 and 2018, respectively.

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 - CONCENTRATIONS

Distributed Goods

During the years ended June 30, 2019 and 2018, the Food Bank distributed 31% and 29%, respectively, 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. The Organization also holds a short-term Federal investment trust (STFIT) account that is not FDIC insured, but is secured by the underlying investment securities. As of June 30, 2019 and 2018, the Organization had no deposits over the federally insured limits. Additionally, the STFIT totaled \$1,331,399 and \$1,340,456 for the years ended June 30, 2019 and 2018, respectively. The Organization has not experienced any losses on such accounts.

NOTE L - COMMITMENTS

Operating Leases

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 November 2016, the Organization entered into a 36-month operating lease for a postage machine. Under the terms of the lease, monthly payments are \$35.

In April 2018, the Organization entered into a 60-month operating lease for a copier. Under the terms of the lease, monthly payments are \$323.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTE L - COMMITMENTS - CONTINUED

Operating Leases - Continued.

In June 2018, the Organization entered into a 36-month operating lease for the real property located at 4800 Doris Bair Circle, Lincoln, Nebraska, commencing July 1, 2018. Under the terms of the lease, base monthly rent is \$6,021, \$6,375, and \$6,928 for the years ended June 30, 2019, 2020, and 2021, respectively. Additionally, the Organization is required to pay a proportionate share of operating and maintenance costs for common areas and facilities. The Organization's monthly share is \$553 and \$907 for the years ended June 30, 2019 and 2020, respectively. The Organization's monthly share for operating and maintenance costs for the year ended June 30, 2021 has not yet been determined by the lessor.

The financial statements include rent expense of \$89,786 and 81,064 for the years ended June 30, 2019 and 2018, respectively.

Future minimum lease payments are as follows:

<u>Year ending June 30,</u>	
2020	\$ 92,106
2021	87,011
2022	3,881
2023	<u>2,911</u>
	<u>\$ 185,909</u>

NOTE M - CONTINGENCIES

Two reversion agreements existed as of June 30, 2019 that require the Organization to repay \$125,000 to two entities if the Organization ceases to exist.

NOTE N - RELATED PARTY

In June 2017, the Organization's Executive Director was appointed to the Board of Directors for Feeding America for a 3-year term. For the years ended June 30, 2019 and 2018, Feeding America provided funding of \$168,727 and \$164,658, respectively, to the Organization.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTE O - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,485,918	\$ 1,439,827
Certificates of deposit	564,252	556,330
Accounts receivable	17,917	20,974
Pledges receivable	427,699	232,129
Promises to give	-	7,028
Grants receivable	334,443	217,088
Inventory	<u>1,570,751</u>	<u>1,083,123</u>
	4,400,980	3,556,499
Donor imposed restrictions:		
Subject to expenditure for specified purpose or time	<u>(1,328,573)</u>	<u>(1,107,332)</u>
Net financial assets after donor-imposed restrictions	3,072,407	2,449,167
Less:		
Board-designated funds for building improvements	<u>(117,494)</u>	<u>203,625</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,954,913</u>	<u>\$ 2,652,792</u>

As part of the liquidity management plan, the Board has set up an operations reserve up to six months' operating expense based on current year monthly expense averages. Cash reserves exceeding daily cash requirements are invested in short-term investments and CDs, and may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, the Organization also could draw upon \$300,000 of available line of credit or the Food Bank Foundation funds.

NOTE P -PRIOR PERIOD ADJUSTMENT

The June 30, 2018 financial statements have been restated to correct overstated prepaid expenses. This adjustment decreased prepaid expenses and net assets without donor restrictions - designated as of June 30, 2018 and increased Child Hunger food acquisition expenses for the year ended June 30, 2018 by \$321,119.

NOTE Q - SUBSEQUENT EVENTS

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

(This page left blank intentionally)

HDBE

SUPPLEMENTAL INFORMATION

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

	Food Bank of Lincoln, Inc.	Food Bank of Lincoln Foundation	Consolidated
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,325,512	\$ 160,406	\$ 1,485,918
Certificates of deposit	564,252	-	564,252
Accounts receivable	17,917	-	17,917
Pledges receivable, current portion	427,699	-	427,699
Grants receivable	334,443	-	334,443
Prepaid expenses	5,111	-	5,111
Inventory, purchased	431,005	-	431,005
Inventory, donated	1,011,921	-	1,011,921
Inventory, CSFP	127,825	-	127,825
Total current assets	<u>4,245,685</u>	<u>160,406</u>	<u>4,406,091</u>
PROPERTY AND EQUIPMENT, net	<u>1,004,981</u>	-	<u>1,004,981</u>
OTHER ASSETS			
Pledges receivable, less current portion	200,000	-	200,000
Investments	-	1,241,032	1,241,032
Total other assets	<u>200,000</u>	<u>1,241,032</u>	<u>1,441,032</u>
Total assets	<u>\$ 5,450,666</u>	<u>\$ 1,401,438</u>	<u>\$ 6,852,104</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable	\$ 114,356	\$ -	\$ 114,356
Agency credits	3,090	-	3,090
Payroll taxes payable	2,364	-	2,364
Accrued wages	52,861	-	52,861
Accrued vacation	42,323	-	42,323
Total current liabilities	<u>214,994</u>	<u>-</u>	<u>214,994</u>
NET ASSETS			
Without donor restrictions			
Undesignated	3,784,495	1,401,438	5,185,933
Board designated	122,604	-	122,604
With donor restrictions	<u>1,328,573</u>	<u>-</u>	<u>1,328,573</u>
Total net assets	<u>5,235,672</u>	<u>1,401,438</u>	<u>6,637,110</u>
Total liabilities and net assets	<u>\$ 5,450,666</u>	<u>\$ 1,401,438</u>	<u>\$ 6,852,104</u>

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2018 (as restated)

ASSETS

	Food Bank of Lincoln, Inc.	Food Bank of Lincoln Foundation	Consolidated
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,297,755	\$ 142,072	\$ 1,439,827
Certificates of deposit	556,330	-	556,330
Accounts receivable	20,974	-	20,974
Pledges receivable, current portion	232,129	-	232,129
Promises to give	7,028	-	7,028
Grants receivable	217,088	-	217,088
Prepaid expenses	21,227	-	21,227
Inventory, purchased	381,705	-	381,705
Inventory, donated	606,792	-	606,792
Inventory, CSFP	94,626	-	94,626
	<u>3,435,654</u>	<u>142,072</u>	<u>3,577,726</u>
Total current assets			
PROPERTY AND EQUIPMENT, net	<u>956,065</u>	<u>-</u>	<u>956,065</u>
OTHER ASSETS			
Pledges receivable, less current portion	8,500	-	8,500
Investments	<u>-</u>	<u>1,255,275</u>	<u>1,255,275</u>
Total other assets	<u>8,500</u>	<u>1,255,275</u>	<u>1,263,775</u>
Total assets	<u>\$ 4,400,219</u>	<u>\$ 1,397,347</u>	<u>\$ 5,797,566</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable	\$ 278,209	\$ -	\$ 278,209
Agency credits	505	-	505
Payroll taxes payable	3,400	-	3,400
Accrued wages	46,643	-	46,643
Accrued vacation	39,217	-	39,217
Inventory held for others	94,626	-	94,626
	<u>462,600</u>	<u>-</u>	<u>462,600</u>
Total current liabilities			
NET ASSETS			
Without donor restrictions			
Undesignated	2,691,566	1,397,347	4,088,913
Board designated	138,721	-	138,721
With donor restrictions	<u>1,107,332</u>	<u>-</u>	<u>1,107,332</u>
Total net assets	<u>3,937,619</u>	<u>1,397,347</u>	<u>5,334,966</u>
Total liabilities and net assets	<u>\$ 4,400,219</u>	<u>\$ 1,397,347</u>	<u>\$ 5,797,566</u>

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

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended June 30, 2019

	Food Bank of Lincoln, Inc.	Food Bank of Lincoln Foundation	Eliminations	Consolidated
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Revenue and support				
Value of contributed inventory	\$ 12,165,796	\$ -	\$ -	\$ 12,165,796
Contributions	1,937,416	3,832	(67,715)	1,873,533
In-kind goods and services	118,038	-	-	118,038
Governmental program support	712,840	-	-	712,840
Investment income	34,195	22,457	-	56,652
Agency cooperative purchasing and fees	173,128	-	-	173,128
Realized and unrealized gains on investments	-	47,420	-	47,420
Miscellaneous	8,713	-	-	8,713
	<u>15,150,126</u>	<u>73,709</u>	<u>(67,715)</u>	<u>15,156,120</u>
Total revenue and support				
Net assets released from restrictions	<u>2,070,658</u>	<u>-</u>	<u>-</u>	<u>2,070,658</u>
	<u>17,220,784</u>	<u>73,709</u>	<u>(67,715)</u>	<u>17,226,778</u>
Total revenue and support without donor restrictions				
Expenses				
Program				
Operations	13,240,672	-	-	13,240,672
Child Hunger	1,544,415	-	-	1,544,415
SNAP	199,450	-	-	199,450
BOP	63,644	-	-	63,644
Management and general	366,607	69,618	(67,715)	368,510
Fundraising	729,184	-	-	729,184
	<u>16,143,972</u>	<u>69,618</u>	<u>(67,715)</u>	<u>16,145,875</u>
Total expenses				
Increase in net assets without donor restrictions	<u>1,076,812</u>	<u>4,091</u>	<u>-</u>	<u>1,080,903</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS				
Food purchasing contributions	98,857	-	-	98,857
Restricted grants and contributions	2,193,042	-	-	2,193,042
	<u>2,291,899</u>	<u>-</u>	<u>-</u>	<u>2,291,899</u>
Total revenue and support with donor restrictions				
Net assets released from restrictions	<u>(2,070,658)</u>	<u>-</u>	<u>-</u>	<u>(2,070,658)</u>
	<u>221,241</u>	<u>-</u>	<u>-</u>	<u>221,241</u>
Increase in net assets with donor restrictions				
INCREASE IN NET ASSETS	1,298,053	4,091	-	1,302,144
Net assets at beginning of year	<u>3,937,619</u>	<u>1,397,347</u>	<u>-</u>	<u>5,334,966</u>
Net assets at end of year	<u>\$ 5,235,672</u>	<u>\$ 1,401,438</u>	<u>\$ -</u>	<u>\$ 6,637,110</u>

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

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended June 30, 2018 (as restated)

	Food Bank of Lincoln, Inc.	Food Bank of Lincoln Foundation	Eliminations	Consolidated
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Revenue and support				
Value of contributed inventory	\$ 12,402,350	\$ -	\$ -	\$ 12,402,350
Contributions	1,801,628	20	(66,118)	1,735,530
In-kind goods and services	87,100	-	-	87,100
Governmental program support	370,151	-	-	370,151
Investment income	15,545	15,225	-	30,770
Agency cooperative purchasing and fees	206,626	-	-	206,626
Realized and unrealized gains on investments	-	67,711	-	67,711
Miscellaneous	7,902	-	-	7,902
	<u>14,891,302</u>	<u>82,956</u>	<u>(66,118)</u>	<u>14,908,140</u>
Total revenue and support				
Net assets released from restrictions	<u>1,539,532</u>	<u>-</u>	<u>-</u>	<u>1,539,532</u>
Total revenue and support without donor restrictions	<u>16,430,834</u>	<u>82,956</u>	<u>(66,118)</u>	<u>16,447,672</u>
Expenses				
Program				
Operations	13,919,020	-	-	13,919,020
Child Hunger	1,481,326	-	-	1,481,326
SNAP	192,906	-	-	192,906
BOP	70,941	-	-	70,941
Management and general	360,920	66,118	(66,118)	360,920
Fundraising	671,775	-	-	671,775
	<u>16,696,888</u>	<u>66,118</u>	<u>(66,118)</u>	<u>16,696,888</u>
Total expenses				
Increase in net assets without donor restrictions	<u>(266,054)</u>	<u>16,838</u>	<u>-</u>	<u>(249,216)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS				
Food purchasing contributions	79,644	-	-	79,644
Restricted grants and contributions	1,658,522	-	-	1,658,522
	<u>1,738,166</u>	<u>-</u>	<u>-</u>	<u>1,738,166</u>
Total revenue and support with donor restrictions				
Net assets released from restrictions	<u>(1,539,532)</u>	<u>-</u>	<u>-</u>	<u>(1,539,532)</u>
Increase in net assets with donor restrictions	<u>198,634</u>	<u>-</u>	<u>-</u>	<u>198,634</u>
INCREASE IN NET ASSETS	<u>(67,420)</u>	<u>16,838</u>	<u>-</u>	<u>(50,582)</u>
Net assets at beginning of year	<u>4,005,039</u>	<u>1,380,509</u>	<u>-</u>	<u>5,385,548</u>
Net assets at end of year	<u>\$ 3,937,619</u>	<u>\$ 1,397,347</u>	<u>\$ -</u>	<u>\$ 5,334,966</u>

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

CONSOLIDATING STATEMENT OF EXPENSES

Year ended June 30, 2019

	<u>Food Bank of Lincoln, Inc.</u>	<u>Food Bank of Lincoln Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Contributed food distributed	\$ 11,583,542	\$ -	\$ -	\$ 11,583,542
Food acquisition	1,311,032	-	-	1,311,032
Employee compensation	1,723,813	-	-	1,723,813
Pension contribution and fees	63,252	-	-	63,252
Professional fees	155,151	40	-	155,191
Office expenses, supplies and postage	154,895	1,840	-	156,735
Occupancy	179,640	-	-	179,640
Printing and promotion	240,041	-	-	240,041
Travel	41,174	-	-	41,174
Transportation	161,269	-	-	161,269
In-kind goods and services	118,038	-	-	118,038
Contributions	-	67,715	(67,715)	-
Miscellaneous	6,688	23	-	6,711
Agency	254,815	-	-	254,815
Depreciation	150,622	-	-	150,622
	<u>\$ 16,143,972</u>	<u>\$ 69,618</u>	<u>\$ (67,715)</u>	<u>\$ 16,145,875</u>

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

CONSOLIDATING STATEMENT OF EXPENSES

Year ended June 30, 2018 (as restated)

	<u>Food Bank of Lincoln, Inc.</u>	<u>Food Bank of Lincoln Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Contributed food distributed	\$ 12,270,865	\$ -	\$ -	\$ 12,270,865
Food acquisition	1,583,965	-	-	1,583,965
Employee compensation	1,598,852	-	-	1,598,852
Pension contribution and fees	57,824	-	-	57,824
Professional fees	124,920	-	-	124,920
Office expenses, supplies and postage	136,130	-	-	136,130
Occupancy	165,629	-	-	165,629
Printing and promotion	222,364	-	-	222,364
Travel	48,672	-	-	48,672
Transportation	131,064	-	-	131,064
In-kind goods and services	87,100	-	-	87,100
Contributions	-	66,118	(66,118)	-
Miscellaneous	5,157	-	-	5,157
Agency	126,056	-	-	126,056
Depreciation	138,290	-	-	138,290
	<u>\$ 16,696,888</u>	<u>\$ 66,118</u>	<u>\$ (66,118)</u>	<u>\$ 16,696,888</u>

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2019

Cluster/Program	Federal Agency/ Pass Through Entity	CFDA Number	Grant Identifying Number	Amount Expended
Food Distribution Cluster:				
Emergency Food Assistance Program - Administrative Costs	U.S. Department of Agriculture/ Nebraska Department of Health and Human Services	10.568	201818Y810543	<u>\$ 237,979</u>
Emergency Food Assistance Program - Food Commodities	U.S. Department of Agriculture/ Nebraska Department of Health and Human Services	10.569	201818Y810543	<u>1,841,690</u>
Commodity Supplemental Food Program - Administrative Costs	U.S. Department of Agriculture/ Nebraska Department of Health and Human Services	10.565	193NE813Y8005	30,066
Commodity Supplemental Food Program - Food Commodities	U.S. Department of Agriculture/ Nebraska Department of Health and Human Services	10.565	193NE813Y8005	<u>143,243</u>
				<u>173,309</u>
Cluster total				2,252,978
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	U.S. Department of Agriculture/ Nebraska Department of Health and Human Services/ Food Bank for the Heartland	10.561	201919S251443 183NE406S2514	96,308
Child Nutrition Cluster:				
Summer Food Services Program for Children	U.S. Department of Agriculture/ Nebraska Department of Education	10.559	55-1106	<u>253,891</u>
				<u>\$ 2,603,177</u>

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 \$1,984,933 for CFDA #10.569 and #10.565, which represents food commodities distributed to program beneficiaries.

Subrecipients. The Organization provided no federal awards to subrecipients.

Indirect Costs. The Organization elected to use the ten percent de minimis indirect cost rate as allowed in the Uniform Guidance, 2 CFR 200.414.

HIBE

SINGLE AUDIT SECTION

(This page left blank intentionally)



CPAs & Consultants | Wealth Management

INDEPENDENT AUDITOR'S REPORT 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, 2019, 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 January 27, 2020.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.

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*.

Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation's Response to Findings

Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation's response to the findings identified in our audit is described in the accompanying corrective action plan. Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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.



Lincoln, Nebraska
January 27, 2020



CPAs & Consultants | Wealth Management

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH 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, 2019. 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 federal statutes, regulations, and terms and conditions of federal awards 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* (CFR) 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.

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, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-002, that we consider to be a material weakness.

Food Bank of Lincoln, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Food Bank of Lincoln, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 LLP

Lincoln, Nebraska
January 27, 2020

HBE
HBE

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2019

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) Two material weaknesses (2019-001 and 2019-002) 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) One material weakness (2019-002) in internal control over its major federal award programs was disclosed by the audit.
- e) An unmodified audit report was issued on compliance for Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation's major federal award programs.
- f) The audit disclosed one finding (2019-002) which is required to be reported relative to the major federal award programs.
- g) The programs in the U.S. Department of Agriculture Food Distribution Cluster were tested as major programs.
- 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 qualified as a low-risk auditee as defined by the Uniform Guidance.

Findings - Financial Statements Audit

2019-001 *Criteria:* SAS 115 requires the communication, in writing, to management and those charged with governance, of material weaknesses identified in an audit.

Condition: The Organization did not have an internal control system designed to provide for the preparation of the financial statements being audited.

Cause: Management did not identify adjustments necessary to present the financial statements in accordance with U.S. generally accepted accounting principles. A material audit adjustment was proposed to correct account balances.

Effect or potential effect: The control deficiency is a material weakness that results in a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Recommendation: Management and the Board of Directors must rely on its review and oversight authority in order to mitigate this inherent weakness in its internal controls.

Views of responsible officials: The Organization will continue to enhance its internal control process for identifying and correcting material misstatements during the course of the year, including performing regular reconciliations of balance sheet accounts.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2019

Findings - Financial Statements Audit and Major Federal Awards Program Audit

2019-002 *Criteria:* SAS 115 requires the communication, in writing, to management and those charged with governance, of material weaknesses identified in an audit.

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

Cause: Management did not identify adjustments necessary to present the financial statements in accordance with U.S. generally accepted accounting principles, including the Schedule of Expenditures of Federal Awards. Material audit adjustments were proposed to correct account balances.

Effect or potential effect: The control deficiency is a material weakness that results in material misstatements of the financial statements and the Schedule of Expenditures of Federal Awards that were not prevented, or detected and corrected on a timely basis.

Recommendation: Management should review financial statements and the Schedule of Expenditures of Federal Awards to ensure all necessary adjustments are made and balances are reflected accurately.

Views of responsible officials: The Organization will continue to enhance its internal control process for identifying and correcting material misstatements during the course of the year, including performing regular reconciliations of balance sheet accounts.



The Mission of the Food Bank of Lincoln is to Alleviate Hunger in Southeast Nebraska.

Healthy Food for Children

CORRECTIVE ACTION PLAN
Healthy Food for Families

Healthy Food for Seniors & Vets

Year ended June 30, 2019

The corrective action plan for the findings included in the schedule of findings and questioned costs are summarized as follows:

Finding 2019 - 001 Financial Statement Preparation

Corrective Action Planned: The Organization will continue to enhance its internal control process for identifying and correcting material misstatements during the course of the year, including performing regular reconciliations of balance sheet accounts. The Finance Department will conduct monthly team meetings to review accounting issues, material and other and follow up with corrective action. If additional advice is needed, the Finance Department will reach out to the auditors. The Organization will request a pre-audit meeting or phone call to discuss any exceptional current fiscal year transactions.

Anticipated Completion Date: June 30, 2020.

Responsible Parties: Management and Board of Directors

Finding 2019 - 002 Material Audit Adjustments

Corrective Action Planned: The Organization will continue to enhance its internal control process for identifying and correcting material misstatements during the course of the year, including performing regular reconciliations of balance sheet accounts. The Finance Department will conduct monthly team meetings to review accounting issues, material and other and follow up with corrective action. If additional advice is needed, the Finance Department will reach out to the grantors or auditors. The Organization will request a pre-audit meeting or phone call to discuss any exceptional current fiscal year transactions.

Anticipated Completion Date: June 30, 2020.

Responsible Parties: Management and Board of Directors

If there are any questions regarding this plan, please call Nancy Gritz, Assistant Executive Director for Food Bank of Lincoln, Inc. and Food Bank of Lincoln Foundation at (402) 466-8170.

A handwritten signature in black ink that reads "Nancy Gritz".

Nancy Gritz, Assistant Executive Director

