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OMB APPROVAL	
OMB Number:	3235-0123
Expires:	May 31, 2017
Estimated average burden hours per response.....	12.00

**SECURITIES AND EXCHANGE COMMISSION
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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8-14685

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/16 AND ENDING 12/31/16
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **Lincoln Financial Advisors Corporation**
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
1300 South Clinton Street, Suite 150

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)
Fort Wayne **Indiana** **46802**
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Carl R. Pawsat **(336) 691-3486**
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst & Young LLP

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

One Commerce Square, Suite 700, 2005 Market Street **Philadelphia, PA** **19103**
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

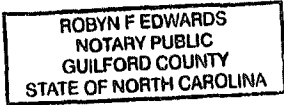
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

RMS

OATH OR AFFIRMATION

I, Carl R. Pawsat, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Lincoln Financial Advisors Corporation, as of December 31, 2016, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



CP
Signature

Interim Financial and Operations Principal

Title

Robyn F. Edwards
Notary Public

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

Lincoln Financial Advisors Corporation

Consolidated Financial Statements
and Supplementary Information

Year Ended December 31, 2016

With Report of Independent Registered Public Accounting Firm

You're In Charge®

Lincoln Financial Advisors Corporation

Consolidated Financial Statement and Supplementary Information

Year Ended December 31, 2016

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Report of Independent Registered Public Accounting Firm

The Board of Directors
Lincoln Financial Advisors Corporation

We have audited the accompanying consolidated statement of financial condition of Lincoln Financial Advisors Corporation (an indirect, wholly owned subsidiary of Lincoln National Corporation) (the Company), as of December 31, 2016, and the related consolidated statement of income, changes in stockholder's equity and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lincoln Financial Advisors Corporation at December 31, 2016, and the consolidated results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The accompanying information contained in Schedules I, II and III has been subjected to audit procedures performed in conjunction with the audit of the Company's consolidated financial statements. Such information is the responsibility of the Company's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

February 28, 2017

Lincoln Financial Advisors Corporation

Consolidated Statement of Financial Condition

	December 31, 2016
Assets	
Cash and invested cash	\$ 63,636,087
Commissions and fees receivable from third parties	42,803,984
Commissions and fees receivable from affiliates	13,758,266
Due from affiliates	682,186
Deferred tax asset	1,037,056
Prepaid expenses	1,405,762
Other assets, cash invested with affiliate	6,847,781
Other assets	36,143,957
Net property and equipment (accumulated depreciation: \$6,542,104)	5,691,038
Total assets	<u>\$ 172,006,117</u>
Liabilities and stockholder's equity	
Liabilities:	
Payable to vendors	\$ 3,358,685
Due to affiliates	25,369,317
Deferred revenue	3,250,920
Accrued commissions	35,492,288
Accrued compensation and benefits	4,955,115
Other liabilities	18,788,350
Total liabilities	<u>91,214,675</u>
Stockholder's equity:	
Common stock – \$100 par value; 5,000 shares authorized, issued, and outstanding	500,000
Additional paid-in capital	22,754,298
Retained earnings	57,537,144
Total stockholder's equity	<u>80,791,442</u>
Total liabilities and stockholder's equity	<u>\$ 172,006,117</u>

See accompanying notes.

Lincoln Financial Advisors Corporation

Consolidated Statement of Income

	Year Ended December 31, 2016
Revenues:	
Commissions and fees from third parties	\$ 338,937,369
Commissions and fees from affiliates	117,131,217
Other	2,066,307
Interest	234,422
Total revenues	<u>458,369,315</u>
Expenses:	
Commissions and agency expenses	316,275,109
Service charges from affiliates	62,558,854
Salaries, wages, and benefits	33,552,690
Licenses and fees	1,842,651
Professional and legal	2,393,269
Office expenses	12,171,474
Other general and administrative expenses	4,400,034
Total expenses	<u>433,194,081</u>
Income before income tax expense	25,175,234
Income tax expense	9,622,075
Net income	<u><u>\$ 15,553,159</u></u>

See accompanying notes.

Lincoln Financial Advisors Corporation

Consolidated Statement of Changes in Stockholder's Equity

	Year Ended December 31, 2016
Common stock:	
Balance as of beginning and end of year	<u>\$ 500,000</u>
Additional paid-in capital:	
Balance as of beginning of year	21,852,465
Share-based payment expense	<u>901,833</u>
Balance as of end of year	<u>22,754,298</u>
Retained earnings:	
Balance as of beginning of year	66,983,985
Net income	15,553,159
Dividends declared	<u>(25,000,000)</u>
Balance as of end of year	<u>57,537,144</u>
Total stockholder's equity as of end of year	<u><u>\$ 80,791,442</u></u>

See accompanying notes.

Lincoln Financial Advisors Corporation

Consolidated Statement of Cash Flows

	Year Ended December 31, 2016
Cash flows from operating activities	
Net income	\$ 15,553,159
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Change in deferred tax asset	53,184
Depreciation on property and equipment	1,020,880
Share-based payment expense	901,833
Change in commissions and fees receivable from third parties	(414,808)
Change in commissions and fees receivable from affiliates	(772,904)
Change in due from affiliates	234,192
Change in prepaid expenses	(96,967)
Change in other assets, cash invested with affiliate	2,623,312
Change in other assets	(1,787,892)
Change in payable to vendors	620,963
Change in due to affiliates	3,749,667
Change in deferred revenue	22,854
Change in accrued commissions	(95,789)
Change in accrued compensation and benefits	651,153
Change in other liabilities	(1,683,691)
Net cash provided by (used in) operating activities	<u>20,579,146</u>
Cash flows from investing activities	
Purchase of property and equipment	(551,635)
Net cash provided by (used in) investing activities	<u>(551,635)</u>
Cash flows from financing activities	
Dividends paid to stockholder	(25,000,000)
Net cash provided by (used in) financing activities	<u>(25,000,000)</u>
Net increase (decrease) in cash and invested cash	(4,972,489)
Cash and invested cash as of beginning of year	68,608,576
Cash and invested cash as of end of year	<u>\$ 63,636,087</u>
Supplemental disclosure of cash flow information	
Income tax payments	<u>\$ 5,649,047</u>

See accompanying notes.

Lincoln Financial Advisors Corporation

Notes to Consolidated Financial Statements

December 31, 2016

1. Nature of Operations, Basis of Presentation, Summary of Significant Accounting Policies and New Accounting Standards

Nature of Operations

Lincoln Financial Advisors Corporation (“LFA” or the “Company,” which also may be referred to as “we,” “our” or “us”) is a registered broker-dealer and investment advisor engaged principally in the distribution of securities, including certain mutual funds, variable insurance products, fee-based investment advisory services, and equity and fixed income securities. LFA is licensed to engage in broker-dealer and investment advisor activity throughout the United States. Our wholly owned subsidiary, LFA Management Corporation (“LFAMC”) is a management company incorporated in 2004 for the purpose of providing LFA with executive management services and corporate governance. LFA is a wholly owned subsidiary of The Lincoln National Life Insurance Company (“LNL”), which is a wholly owned subsidiary of Lincoln National Corporation (“LNC”).

Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with United States of America generally accepted accounting principles (“GAAP”). Certain GAAP policies, which significantly affect the determination of financial position, results of operations and cash flows, are summarized below.

Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of LFA and its wholly owned subsidiary, LFAMC. All intercompany accounts and transactions have been eliminated in consolidation.

The Company and other affiliated entities that provide services to the Company are under common ownership and management control. The existence of this control could result in the Company’s operating results or financial position being significantly different from those that would have been obtained if the Company were autonomous.

Lincoln Financial Advisors Corporation

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation, Summary of Significant Accounting Policies and New Accounting Standards (continued)

Accounting Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Those estimates are inherently subject to change and actual results could differ from those estimates.

Cash and Invested Cash

Cash and invested cash is carried at cost, which approximates fair value, and includes all highly liquid investments purchased with an original maturity of three months or less. Pursuant to the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), we categorized cash and invested cash in Level 1 of the fair value hierarchy.

Cash Invested With Affiliate

In order to manage capital more efficiently, the Company participates in an intercompany cash management program where LNC can lend to or borrow from the Company to meet short-term borrowing needs. The cash management program is essentially a series of demand loans among LNC and its affiliates that reduces the overall borrowing costs by allowing LNC and its affiliates to access internal resources instead of incurring third-party transaction costs. Invested cash with LNC was \$6,847,781 at December 31, 2016, and is included in other assets, cash invested with affiliate on the Consolidated Statement of Financial Condition.

Commission Revenue and Expense

Commission revenue for customer securities transactions and related commission expenses are recorded on a trade-date basis. Advisory fee income, asset-based revenue and corresponding commission expenses are recorded as earned based on a contractual percentage of customer account values.

Lincoln Financial Advisors Corporation

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation, Summary of Significant Accounting Policies and New Accounting Standards (continued)

Commission and fees from third parties on the Consolidated Statement of Income includes revenue from the distribution of non-affiliated securities, including certain mutual funds, variable insurance products, fee-based investment advisory services, and equity and fixed income securities. Commission and fees from affiliates on the Consolidated Statement of Income includes revenue from the distribution of affiliated variable insurance products.

Income Taxes

LNC files a U.S. consolidated income tax return that includes all eligible subsidiaries, including LFA and LNL. Pursuant to an intercompany tax-sharing agreement with LNL, LFA provides for income taxes on a separate return filing basis. The tax-sharing agreement also provides that LFA will receive benefit for net operating losses, capital losses, and tax credits, which may not be usable on a separate return basis to the extent such items may be utilized in the consolidated federal income tax returns of LNC.

Deferred income taxes are recognized, based on enacted rates, when assets and liabilities have different values for financial statement and tax reporting purposes. A valuation allowance is recorded to the extent required. Considerable judgment and the use of estimates are required in determining whether a valuation allowance is necessary and, if so, the amount of such valuation allowance. See Note 3 for additional information.

Revenues, Expenses, Other Assets and Other Liabilities related to AdviceNextSM

As discussed in Note 2, the Company entered into an agreement with the Company's clearing provider to launch AdviceNextSM. The agreement provides for business development credits that are received by the Company from the clearing provider upon execution of the contract and achievement of certain time or performance milestones, as specified in the contract. The business development credits are recorded as deferred revenue and are being recognized over the contract period in other revenue on the Consolidated Statement of Income.

The launch of AdviceNextSM results in incremental and identifiable costs that are directly related to the acquisition of the agreement with the clearing provider. These costs have been capitalized and will be amortized over the contract period in other general and administrative expenses on the Consolidated Statement of Income.

Lincoln Financial Advisors Corporation

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation, Summary of Significant Accounting Policies and New Accounting Standards (continued)

Property and Equipment

Property and equipment owned for company use is carried at cost less allowances for depreciation. Provisions for depreciation are computed on the straight-line method over the estimated useful lives of the assets.

Deferred Revenue

Cash received in advance for financial planning contracts is recorded as deferred revenue until delivery of the financial plan to the respective customer.

Deferred Compensation

Certain LFA employees participate in a deferred compensation plan sponsored and administered by LNC. LFA is allocated appropriate expenses related to the plan by LNC. LFA reports current period expense in salaries, wages, and benefits on the Consolidated Statement of Income with the liability in accrued compensation and benefits on the Consolidated Statement of Financial Condition.

Share-Based Compensation

Certain LFA employees participate in share-based compensation programs sponsored and administered by LNC. LFA is allocated appropriate expenses related to the program by LNC. LFA reports current period expense in salaries, wages, and benefits on the Consolidated Statement of Income with the nonexercised portion in accrued compensation and benefits on the Consolidated Statement of Financial Condition.

Loans to Registered Representatives

LFA has a loan program to attract top-producing representatives to join the sales network. Assuming the producers can generate gross dealer concessions (“GDC”) in excess of a contracted amount, LFA will advance the representative a specified dollar amount that will be forgiven over the life of the loan (typically three to seven years). The executed contract for each loan stipulates annual GDC requirements that must be met in order for that year’s proportion of the loan to be waived. Alternatively, if at the end of the contract period, the cumulative GDC production is equal to or in excess of the aggregate contract requirement, the entire balance of the loan will be waived. LFA reported loan receivables, net of amortization, of \$4,304,163 as of December 31, 2016 within other assets on the Consolidated Statement of Financial Condition.

Lincoln Financial Advisors Corporation

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation, Summary of Significant Accounting Policies and New Accounting Standards (continued)

Adoption of New Accounting Standards

The following table provides a description of our adoption of new Accounting Standard Updates (“ASUs”) issued by the FASB and the impact of the adoption on our financial statements:

Standard	Description	Date of Adoption	Effect on Financial Statements or Other Significant Matters
ASU 2016-09, Improvements to Employee Share-based Payment Accounting	These amendments require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled rather than through additional paid in capital in the equity section of the balance sheet. The amendments also permit an employer to repurchase an employee’s shares at the maximum statutory tax rate in the employee’s applicable jurisdiction for tax withholding purposes without triggering liability accounting. Finally, the amendments permit entities to make a one-time accounting policy election to account for forfeitures as they occur. Specific adoption methods depend on the issue being adopted and range from prospective to retrospective adoption. Early adoption is permitted, however all amendments must be adopted in the same period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year which includes that interim period.	Early adopted as of October 1, 2016	The adoption of this ASU did not have a material effect on our Statement of Financial Condition or Statement of Income.

Lincoln Financial Advisors Corporation

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation, Summary of Significant Accounting Policies and New Accounting Standards (continued)

Future Adoption of New Accounting Standards

The following table provides a description of future adoptions of new accounting standards that may have an impact on our financial statements when adopted:

Standard	Description	Projected Date of Adoption	Effect on Financial Statements or Other Significant Matters
ASU 2014-09, Revenue from Contracts with Customers & ASU 2015-14, Revenue from Contracts with Customers; Deferral of the Effective Date	This standard establishes the core principle of recognizing revenue to depict the transfer of promised goods and services. The amendments define a five-step process that systematically identifies the various components of the revenue recognition process, culminating with the recognition of revenue upon satisfaction of an entity's performance obligation. Retrospective application is required. After performing extensive outreach, the FASB decided to delay the effective date of ASU 2014-09 for one year. Early application is permitted but only for annual reporting periods beginning after December 15, 2016.	January 1, 2018	We continue to evaluate the impact of adopting this ASU on our revenue recognition for contracts within scope.

Lincoln Financial Advisors Corporation

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation, Summary of Significant Accounting Policies and New Accounting Standards (continued)

Standard	Description	Projected Date of Adoption	Effect on Financial Statements or Other Significant Matters
ASU 2016-02, Leases	This standard establishes a new accounting model for leases. Lessees will recognize most leases on the balance as a right-of-use asset and a related lease liability. The lease liability is measured as the present value of the lease payments over the lease term with the right-of-use asset measured at the lease liability amount and including adjustments for certain lease incentives and initial direct costs. Lease expense recognition will continue to differentiate between finance leases and operating leases resulting in a similar pattern of lease expense recognition as under current GAAP. This ASU permits a modified retrospective adoption approach which includes a number of optional practical expedients that entities may elect upon adoption. Early adoption is permitted.	January 1, 2019	We are currently identifying all of our leases that will be within the scope of this standard; as such we continue to evaluate the quantitative impact of adopting this ASU on the Statement of Financial Condition. Based on our initial assessment, we do not expect there to be a significant difference in our pattern of lease expense recognition under this ASU.

Lincoln Financial Advisors Corporation

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation, Summary of Significant Accounting Policies and New Accounting Standards (continued)

Standard	Description	Projected Date of Adoption	Effect on Financial Statements or Other Significant Matters
ASU 2016-08, Principal versus Agent Considerations (Reporting Revenue Gross versus Net)	These amendments clarify the implementation guidance on principal versus agent considerations in ASU 2014-09, including how an entity should identify the unit of accounting for the principal versus agent evaluation. In addition, the amendments clarify how to apply the control principle to certain types of arrangements, such as service transactions, by explaining what a principal controls before the good or service is transferred to the customer. Transition requirements are consistent with ASU 2014-09.	January 1, 2018	We are currently evaluating the impact of adopting this ASU on our Statement of Financial Condition and Statement of Income. See comments under ASU 2014-09 for more information.

Lincoln Financial Advisors Corporation

Notes to Consolidated Financial Statements (continued)

1. Nature of Operations, Basis of Presentation, Summary of Significant Accounting Policies and New Accounting Standards (continued)

Standard	Description	Projected Date of Adoption	Effect on Financial Statements or Other Significant Matters
ASU 2016-10, Identifying Performance Obligations and Licensing	These amendments clarify, among other things, the accounting guidance in ASU 2014-09 regarding how an entity will determine whether promised goods or services are separately identifiable, which is an important consideration in determining whether to account for goods or services as a separate performance obligation. Transition requirements are consistent with ASU 2014-09.	January 1, 2018	We are currently evaluating the impact of adopting this ASU on our Statement of Financial Condition and Statement of Income. See comments under ASU 2014-09 for more information.
ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers	These amendments clarify thirteen issues related to the adoption of ASU 2014-09. The most significant issue of these amendments for us is the clarification that all contracts within the scope of Topic 944 are excluded from the scope of ASU 2014-09, rather than just insurance contracts as described in ASU 2014-09. Transition requirements are consistent with ASU 2014-09.	January 1, 2018	We are currently evaluating the impact of adopting this ASU on our Statement of Financial Condition and Statement of Income. See comments under ASU 2014-09 for more information.

Lincoln Financial Advisors Corporation

Notes to Consolidated Financial Statements (continued)

2. Launch of *AdviceNext*SM

Effective September 30, 2013, Lincoln Financial Network (“LFN”), the retail wealth management affiliate of LNC and the marketing name for LFA and Lincoln Financial Securities Corporation (“LFS”), a broker-dealer affiliate, entered into an agreement with LFN’s clearing provider to launch *AdviceNext*SM, a new integrated offering that optimizes the delivery of the firm’s practice resources, tools and technology to advisors. This initiative requires a significant, multi-year investment and is also being supported by significant platform investment by the Company’s clearing provider.

The agreement provides for business development credits that are received by the Company from the clearing provider upon execution of the contract and achievement of certain time or performance milestones, as specified in the contract. The agreement also provides for the repayment of the business development credits under certain circumstances, including if LFN does not meet minimum client account asset levels or if LFN terminates the contract prior to its contractual end date, September 30, 2025. LFN allocated the business development credits to LFA and LFS accordingly. LFA reported \$13,410,000 in business development credits receivable in other assets on the Consolidated Statement of Financial Condition as of December 31, 2016. The business development credits are recorded as deferred revenue and will be recognized over the contract period. LFA recognized \$2,053,750 in revenue related to the business development credits in 2016, and reported \$17,204,887 of deferred revenue in other liabilities on the Consolidated Statement of Financial Condition as of December 31, 2016.

The launch of *AdviceNext*SM results in incremental and identifiable costs that are directly related to the acquisition of the agreement, with the clearing provider, that would not have been incurred but for the acquisition of the agreement and qualify for capitalization. LFA reported capitalized costs, net of amortization, of \$18,154,242 in other assets on the Consolidated Statement of Financial Condition as of December 31, 2016, and amortized costs of \$1,920,178 during 2016.

In addition to the capitalized costs described above, the Company reported capitalized internal use software development costs, net of depreciation, related to *AdviceNext*SM of \$5,016,623 as of December 31, 2016, and accumulated depreciation of \$1,256,004 in 2016.

Lincoln Financial Advisors Corporation

Notes to Consolidated Financial Statements (continued)

3. Income Taxes

The income tax expense was as follows:

	Year Ended December 31, 2016
Federal income tax expense:	
Current	\$ 7,744,056
Deferred	492,249
Federal income tax expense	<u>8,236,305</u>
State income tax expense:	
Current	1,332,586
Deferred	53,184
State income tax expense	<u>1,385,770</u>
Total income tax expense	<u>\$ 9,622,075</u>

A reconciliation of the effective tax rate differences was as follows:

	Year Ended December 31, 2016
Federal tax rate times pretax income	\$ 8,811,332
Effect of:	
State tax expenses	900,751
Other items	(90,008)
Income tax expense	<u>\$ 9,622,075</u>
Effective tax rate	<u>38.2%</u>

The effective tax rate is the ratio of tax expense over pretax income. Other items include permanent adjustments.

Lincoln Financial Advisors Corporation

Notes to Consolidated Financial Statements (continued)

3. Income Taxes (continued)

The income tax asset was as follows:

	December 31, 2016
Federal income tax asset (liability):	
Current	\$ (3,458,340)
Deferred	(732,827)
Federal income tax asset (liability)	<u>(4,191,167)</u>
State income tax asset (liability):	
Current	(272,649)
Deferred	1,037,056
State income tax asset (liability)	<u>764,407</u>
Total current income tax asset (liability)	<u>(3,730,989)</u>
Total deferred income tax asset (liability)	<u><u>\$ 304,229</u></u>

Significant components of our deferred tax assets and liabilities were as follows:

	December 31, 2016
Deferred tax assets	
Employee compensation plans	\$ 2,793,283
Accrued liabilities	202,139
Planner loans	3,401,953
State income taxes	1,564,950
Total deferred tax assets	<u>7,962,325</u>
Deferred tax liabilities	
<i>AdviceNextSM</i>	5,025,775
Other	2,632,321
Total deferred tax liabilities	<u>7,658,096</u>
Net deferred tax asset	<u><u>\$ 304,229</u></u>

Lincoln Financial Advisors Corporation

Notes to Consolidated Financial Statements (continued)

3. Income Taxes (continued)

Current federal income taxes payable is included in due to affiliates on the Consolidated Statement of Financial Condition. Current state income taxes payable is included in other liabilities on the Consolidated Statement of Financial Condition.

The Company is required to establish a valuation allowance for any gross deferred tax assets that are unlikely to reduce taxes payable in future years' tax returns. At December 31, 2016, the Company concluded that it was more likely than not that its gross deferred tax assets will reduce taxes payable in future years; therefore, no valuation allowance was necessary.

The LNC consolidated group is subject to examination by U.S. federal, state, local and non-U.S. income authorities. We are currently not under examination by the Internal Revenue Service, however tax years 2013 and forward remain open.

There are no uncertain tax positions related to the Company in the current year.

4. Agreements and Transactions With Affiliates

In order to be compliant with the Financial Industry Regulatory Authority ("FINRA") rules regarding proper expense recognition and expense-sharing agreements, LFA has entered into various cost-sharing agreements with affiliates. Additionally, costs are allocated to LFA by certain affiliates under common LNC control for corporate and administrative services and for certain securities-related and product-specific expenses pursuant to Master Services Agreements. Costs include, but are not limited to, expenses related to broker-dealer management and operations, home and field office, human resource administration, print and distribution, legal services, compliance, administrative expenses, information technology, and communication services. During 2016 total allocations were \$98,055,011, which is reported in salaries, wages, and benefits, professional and legal, office expenses, service charges from affiliates and other general and administrative expenses on the Consolidated Statement of Income.

Lincoln Financial Advisors Corporation

Notes to Consolidated Financial Statements (continued)

5. Contingencies

Regulatory and Litigation Matters

Regulatory bodies, such as the Securities and Exchange Commission (“SEC”) and FINRA, regularly make inquiries and conduct examinations or investigations concerning our compliance with, among other things, securities laws, laws governing the activities of broker-dealers, and registered investment advisors.

LFA is involved in various pending or threatened legal or regulatory proceedings arising from the conduct of business both in the ordinary course and otherwise. In some of the matters, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Modern pleading practice in the U.S. permits considerable variation in the assertion of monetary damages or other relief. Jurisdictions may permit claimants not to specify the monetary damages sought or may permit claimants to state only that the amount sought is sufficient to invoke the jurisdiction of the trial court. In addition, jurisdictions may permit plaintiffs to allege monetary damages in amounts well exceeding reasonably possible verdicts in the jurisdiction for similar matters. This variability in pleadings, together with our actual experiences in litigating or resolving through settlement numerous claims over an extended period of time, demonstrates to management that the monetary relief which may be specified in a lawsuit or claim bears little relevance to its merits or disposition value.

Due to the unpredictable nature of litigation, the outcome of a litigation matter and the amount or range of potential loss at particular points in time is normally difficult to ascertain. Uncertainties can include how fact finders will evaluate documentary evidence and the credibility and effectiveness of witness testimony, and how trial and appellate courts will apply the law in the context of the pleadings or evidence presented, whether by motion practice, or at trial or on appeal. Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel will themselves view the relevant evidence and applicable law.

We establish liabilities for litigation and regulatory loss contingencies when information related to the loss contingencies shows both that it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. It is possible that some matters could require us to pay damages or make other expenditures or establish accruals in amounts that could not be estimated as of December 31, 2016. While the potential future charges could be material in the particular quarterly or annual periods in which they are recorded, based on information currently known by management, management does not believe any such charges are likely to have a material adverse effect on LFA’s financial position.

Lincoln Financial Advisors Corporation

Notes to Consolidated Financial Statements (continued)

5. Contingencies (continued)

For some matters, the Company is able to estimate a reasonably possible range of loss. For such matters in which a loss is probable, an accrual has been made. For such matters where a loss is believed to be reasonably possible, but not probable, no accrual has been made. For other matters, we are not currently able to estimate the reasonably possible loss or range of loss. We are often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support an assessment of the range of possible loss, such as quantification of a damage demand from plaintiffs, discovery from other parties and investigation of factual allegations, rulings by the court on motions or appeals, analysis by experts, and the progress of settlement negotiations. On a quarterly and annual basis, we review relevant information with respect to litigation contingencies and update our accruals, disclosures and estimates of reasonably possible losses or ranges of loss based on such reviews.

6. Net Capital Requirements

LFA operates under the alternative standard provisions of the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the minimum net capital to be the greater of \$250,000 or 2% of aggregate debit items computed in accordance with the SEC Customer Protection Rule (Rule 15c3-3) reserve requirements.

	December 31, 2016
Minimum net capital requirement	\$ 250,000
Net capital	25,545,719
Excess net capital	<u>\$ 25,295,719</u>

7. Capital

During 2016, LFA declared and paid dividends to its parent, LNL, of \$25,000,000.

8. Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through the date the financial statements were issued.

Supplementary Information

Lincoln Financial Advisors Corporation

Schedule I – Computation of Net Capital
Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934

December 31, 2016

Computation of net capital

Consolidated stockholder's equity	\$ 80,791,442
Deduct subsidiary's stockholder's equity	<u>6,494,026</u>
Total stockholder's equity qualified for net capital	<u>74,297,416</u>
Less non-allowable assets:	
Commissions and fees receivable	18,783,997
Due from affiliates	527,599
Prepaid expenses	1,344,857
Other assets	22,447,664
Net property and equipment	<u>5,535,579</u>
Total non-allowable assets	48,639,696
Other deductions	<u>6,180</u>
Net capital before haircuts on securities positions	25,651,540
Haircuts on securities	<u>105,821</u>
Net capital	<u><u>25,545,719</u></u>

Computation of alternate net capital requirements

2% of combined aggregate debit items as shown in Formula for Reserve	
Requirements pursuant to Rule 15c3-3	<u>\$ -</u>
Greater of \$250,000 or 2% of combined aggregate debit items	<u>\$ 250,000</u>
Excess net capital	<u>\$ 25,295,719</u>
Excess net capital at 120% of minimum net capital requirement	<u>\$ 25,245,719</u>

The audited financial statements are presented on a consolidated basis; however, the accompanying net capital calculation is presented based on LFA's unconsolidated financial information. No material differences exist between the audited financial statement computation of net capital and the computation included in the Company's corresponding unaudited Form X-17A-5, Part II filing as of December 31, 2016.

Lincoln Financial Advisors Corporation

Schedule II – Statement Regarding Reserve Requirements
Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934

December 31, 2016

Lincoln Financial Advisors Corporation is exempt from Rule 15c3-3 under the Securities Exchange Act of 1934 under paragraphs (k)(2)(i) and (k)(2)(ii) of that Rule.

Lincoln Financial Advisors Corporation

Schedule III – Statement Regarding Information Relating to Possessions or Control of Securities Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934

December 31, 2016

Lincoln Financial Advisors Corporation did not maintain possession or control of any customer funds or securities and is exempt from Rule 15c3-3 under the Securities Exchange Act of 1934 under paragraphs (k)(2)(i) and (k)(2)(ii) of that Rule.



Lincoln Financial Advisors
1300 South Clinton Street, Suite 150
Fort Wayne, IN 46802

Lincoln Financial Advisors Corporation

Exemption Report Pursuant to Rule 17a-5 under the Securities and Exchange Act of 1934

Year Ended December 31, 2016

With Report of Independent Registered Public Accounting Firm

Lincoln Financial Advisors Corporation

Exemption Report
Pursuant to Rule 17a-5 under the Securities Exchange Act of 1934

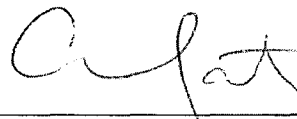
December 31, 2016

Lincoln Financial Advisors Corporation (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

1. The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provisions of 17 C.F.R. § 240.15c3-3 (k)(2)(i) and (k)(2)(ii).
2. The Company met the identified exemption provisions in 17 C.F.R. § 240.15c3-3(k)(2)(i) and (k)(2)(ii) for the year ended December 31, 2016, except as described below:
 - a. Check made payable to third party was not promptly forwarded (January 12, 2016).
 - b. Check made payable to third party was not promptly forwarded (January 19, 2016).
 - c. Check made payable to third party was not promptly forwarded (January 19, 2016).
 - d. Check made payable to third party was not promptly forwarded (January 29, 2016).
 - e. Check made payable to third party was not promptly forwarded (February 1, 2016).
 - f. Check made payable to third party was not promptly forwarded (February 16, 2016).
 - g. Check made payable to third party was not promptly forwarded (February 23, 2016).
 - h. Check made payable to third party was not promptly forwarded (February 25, 2016).
 - i. Check made payable to third party was not promptly forwarded (March 7, 2016).
 - j. Check made payable to third party was not promptly forwarded (March 11, 2016).
 - k. Check made payable to third party was not promptly forwarded (April 19, 2016).
 - l. Check made payable to third party was not promptly forwarded (July 15, 2016).
 - m. Check made payable to third party was not promptly forwarded (August 3, 2016).
 - n. Check made payable to third party was not promptly forwarded (August 17, 2016).
 - o. Check made payable to third party was not promptly forwarded (August 26, 2016).
 - p. Check made payable to third party was not promptly forwarded (September 26, 2016).

I, Carl R. Pawsat, certify that, to my best knowledge and belief, this Exemption Report is true and correct.

Dated: February 28, 2017



Name: Carl R. Pawsat

Title: Interim Financial and Operations Principal



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Report of Independent Registered Public Accounting Firm

The Board of Directors and Management of Lincoln Financial Advisors Corporation

We have reviewed management's statements, included in the accompanying Lincoln Financial Advisors Corporation Exemption Report, in which (1) Lincoln Financial Advisors Corporation (the Company) identified the following provisions of 17 C.F.R. § 15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3 (k)(2)(i) and (k)(2)(ii) (the "exemption provisions") and (2) the Company stated that it met the identified exemption provisions throughout the most recent fiscal year ended December 31, 2016 except as described in its exemption report. Management is responsible for compliance with the exemption provisions and its statements.

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

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

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the Financial Industry Regulatory Authority, other regulatory agencies that rely on Rule 17a-5 under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and other recipients specified by Rule 17a-5(d)(6) and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

February 28, 2017

Lincoln Financial Advisors
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Report of Independent Registered Public Accounting Firm on Applying Agreed-Upon Procedures

To the Board of Directors and Management of Lincoln Financial Advisors Corporation

We have performed the procedures enumerated below, which were agreed to by the Board of Directors, management of Lincoln Financial Advisors Corporation (the Company), and the Securities Investor Protection Corporation (SIPC), set forth in the Series 600 Rules of SIPC. We performed the procedures solely to assist the specified parties in evaluating the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7) for the year ended December 31, 2016. The Company's management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards of the Public Company Accounting Oversight Board (United States) and American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our findings are as follows:

1. Compared the assessment payments made in accordance with the General Assessment Payment Form (Form SIPC-6) and applied to the General Assessment calculation on Form SIPC-7 with respective cash disbursement record entries as follows:
 - a. We compared the amount in line 2B. from page 1 of the Form SIPC-7 to the amount of outgoing wire transfer transaction number FED#0729I1B7033R007280 made payable to SIPC on July 29, 2016, and found them to be in agreement. No findings were found as a result of applying the procedure.
 - b. We compared the amount in line 2G. from page 1 of the Form SIPC-7 to the amount of outgoing wire transfer transaction number FED#0223I1B7031R007527 made payable to SIPC on February 23, 2017, and found them to be in agreement. No findings were found as a result of applying the procedure.
2. Compared the amounts reported in the audited financial statements required by SEC Rule 17a-5 with the amounts reported in Form SIPC-7 for the fiscal year ended December 31, 2016. No findings were found as a result of applying the procedure.



3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers supporting the adjustments as follows:
 - a. Agreed the deduction of \$250,431,583 reported on Page 2, item 2c(1) of Form SIPC-7 to the supporting schedule prepared by the Company, titled "Management Reporting Package – Earnings Monthly Trend", which is derived from the accounting records used to prepare the audited form X-17A-5 for the year ended December 31, 2016, and found them to be in agreement. No findings were found as a result of applying the procedure.
 - b. Agreed the deduction of \$892,035 reported on Page 2, item 2c(3) of Form SIPC-7 to the supporting schedule prepared by the Company, titled "Commissions, Floor Brokerage and Clearance Paid," which is derived from the accounting records used to prepare the audited form X-17A-5 for the year ended December 31, 2016, and found them to be in agreement. No findings were found as a result of applying the procedure.
4. Verified the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the schedules and working papers supporting the adjustments. No findings were found as a result of applying the procedure.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7) for the fiscal year ended December 31, 2016. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

February 28, 2017

Ernst + Young LLP