

INGLES MARKETS INC
Form 11-K
June 28, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

ANNUAL REPORT

PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from to

Commission file number 0-14706.

A.Full title of the Plan and the address of the Plan, if different from that of the issuer named below:

INGLES MARKETS, INCORPORATED
INVESTMENT/PROFIT SHARING PLAN

B.Name of issuer of the securities held pursuant to the Plan and the address of its principal executive office:

Ingles Markets, Incorporated
P.O. Box 6676
Asheville, North Carolina 28816

INGLES MARKETS, INCORPORATED

INVESTMENT/PROFIT SHARING PLAN

Audited Financial Statements

and

Supplemental Schedule

as of December 31, 2017 and 2016

and for the Year Ended December 31, 2017

(with Report of Independent Registered Public Accounting Firm)

INGLES MARKETS, INCORPORATED

INVESTMENT/PROFIT SHARING PLAN

Table of Contents

December 31, 2017 and 2016

	Page(s)
Report of Independent Registered Public Accounting Firm	1
Financial Statements:	
Statements of Net Assets Available for Benefits	2
Statement of Changes in Net Assets Available for Benefits	3
Notes to Financial Statements	4-8
Supplemental Schedule:	
Schedule H, Line 4i–Schedule of Assets (Held at End of Year)	9-11
Signatures	12
Exhibit Index	13

Report of Independent Registered Public Accounting Firm

To the Participants of the Ingles Markets, Incorporated Investment / Profit Sharing Plan

and the Audit, Fiduciary Investment and Administrative Committees of

Ingles Markets, Incorporated

Black Mountain, North Carolina

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of the Ingles Markets, Incorporated Investment/Profit Sharing Plan (the "Plan") as of December 31, 2017 and 2016, and the related statement of changes in net assets available for benefits for the year ended December 31, 2017, and the related notes and supplemental schedule (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the year ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the Plan's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also

included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion

Supplementary Information

The supplemental information in the accompanying schedule of assets (held at end of year) as of December 31, 2017, has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements but includes supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Dixon Hughes Goodman LLP

We have served as the Company's auditor since 2011.

Asheville, North Carolina

June 28, 2018

1

INGLES MARKETS, INCORPORATED

INVESTMENT/PROFIT SHARING PLAN

Statements of Net Assets Available for Benefits

	December 31,	
Assets	2017	2016
Investments at fair value (See Notes 3 and 5)	\$ 108,977,158	\$ 100,012,801
Notes receivable from participants	6,445,160	6,042,764
Cash and cash equivalents	(59)	11,854
Net assets available for benefits	\$ 115,422,259	\$ 106,067,419

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

INGLES MARKETS, INCORPORATED

INVESTMENT/PROFIT SHARING PLAN

Statement of Changes in Net Assets Available for Benefits

For the Year Ended December 31, 2017

Additions to net assets attributed to:

Investment income:

Net appreciation in fair value of investments	\$ 4,931,725
Interest and dividends	2,450,565
	7,382,290

Interest income on notes receivable from participants	269,914
---	---------

Contributions:

Employer	2,565,230
Participant	7,303,342
Rollovers	190,542
	10,059,114
Total additions	17,711,318

Deductions to net assets attributed to:

Benefits paid to participants	8,030,171
Administrative expenses	326,307
Total deductions	8,356,478
Net increase	9,354,840
Net assets available for benefits:	
Beginning of year	106,067,419
End of year	\$ 115,422,259

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

INGLES MARKETS, INCORPORATED

INVESTMENT/PROFIT SHARING PLAN

Notes to Financial Statements

December 31, 2017 and 2016

1. Description of the Plan

The following description of the Ingles Markets, Incorporated Investment/Profit Sharing Plan (the “Plan”) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan’s provisions. Copies of the Plan document are available from the Fiduciary Investment and Administrative Committee.

General - The Plan is a defined contribution plan covering substantially all employees of Ingles Markets, Incorporated (the “Company” and “Plan Sponsor”) and its wholly-owned subsidiary, Milkco, Inc., who have completed one year of eligible service as defined in the Plan document and are at least 18 years of age. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended.

Contributions - The Plan provides for three types of contributions: (i) Company profit sharing plan contributions to the Ingles Stock Fund - Class B made by the Company - discretionary in nature; no participant 401(k) contributions can be made to the Ingles Stock Fund - Class B, (ii) participant 401(k) contributions from one percent to 50 percent (in increments of one percent) of their pre-tax annual compensation as defined in the Plan document (subject to regulatory limitations), and (iii) Company 401(k) matching contributions, discretionary in nature and determined by the Company for each payroll period. The Plan has an automatic increase feature for participant deferral amounts. Participants are allowed to make designated Roth contributions and Roth rollovers to the Plan. The Company matched 50% of contributions up to 5% of a participant’s compensation as defined in the Plan document as of April 1, 2017. Prior to April 1, 2017, the Company matched 50% of contributions up to 3% of a participant’s compensation as defined in the Plan document. In addition, all participants who have attained age 50 before the close of the Plan year shall be eligible to make catch-up contributions, also subject to regulatory limitations.

Upon enrollment in the Plan, participants may direct participant and Company matching contributions in one percent increments to any of the Plan’s fund options, including the Ingles Class A Stock Fund. Participants may change their investment options daily. Plan participants may divest employer contributions of Company Class B stock and reinvest in other investment options.

In 2017, the Company made net discretionary 401(k) matching contributions of \$2,565,230. The Company made no discretionary profit sharing contributions during 2017.

Participant Accounts - Each participant's account is credited with the participant's contributions and any Company matching and profit-sharing contributions. Allocations of Plan earnings or losses are based on participant account balances, participant compensation as defined in the Plan document, or participant contributions. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting and Forfeitures - Contributions by participants plus actual earnings thereon are immediately vested and non-forfeitable. Participants become vested in the Company's matching and profit sharing contributions on a graduated basis with 100 percent vesting occurring after the completion of six years of service.

Forfeited balances are utilized as follows:

- a. First, to restore the non-vested portion of the Company contribution accounts of certain terminated participants who subsequently participate in the Plan as a rehire as described in the Plan document.

- b. Second, at the discretion of the Plan Sponsor, to pay Plan expenses.

- c. Third, to reduce Plan Sponsor contributions as described in the Plan document.

Forfeitures of \$23,196 were used during 2017 to reduce the Company's matching contributions. Unallocated forfeitures at December 31, 2017 and 2016 were \$68,787 and \$25,118, respectively.

Notes Receivable from Participants - Participants may borrow from their fund accounts a minimum of \$500 to a maximum equal to the lesser of \$50,000 or 50 percent of their vested balances with the term of the loan not exceeding five years except for loans to purchase the borrower's principal residence whose term shall not exceed ten years. The loans are secured by the balance

in the participant's account. The interest rate used will be comparable to rates charged by local lending institutions for similar loans. Principal and interest are paid ratably through employee payroll deductions. At December 31, 2017, outstanding loans bore interest rates ranging from 4.25% to 10.00%.

Payment of Benefits - Upon termination of service, death, disability or retirement, participants, or their beneficiary in the case of death, may receive a lump-sum amount, partial distribution or payments over a period certain in monthly, quarterly, semiannual or annual cash installments equal to the vested value of their account.

In-service withdrawals are available in certain circumstances, as defined in the Plan document. Hardship withdrawals are allowed for participants incurring an immediate and heavy financial need. Hardship withdrawals are strictly regulated by the Internal Revenue Service ("IRS") and a participant must exhaust all available loan options and available distributions prior to requesting hardship withdrawals.

Administrative Expenses - The Plan's administrative expenses are paid by either the Plan or the Company, as provided by the Plan document. Certain legal and accounting fees and certain administrative expenses relating to the Plan are paid by the Company and will not be reimbursed by the Plan.

Plan Termination - Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan, subject to the provisions of ERISA. In the event of Plan termination, participants will become 100 percent vested in their accounts.

2. Summary of Accounting Policies

Basis of Accounting - The financial statements of the Plan are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and changes therein, and disclosure of contingent assets and liabilities. Accordingly, actual results may differ from those estimates and assumptions.

Investment Valuation and Income Recognition - Investments are reported at fair value. 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 the measurement date. See Note 3 for discussion of fair value measurements. Plan management determines the Plan's valuation policies utilizing information provided by the trustee.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Notes Receivable From Participants - Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant loans are reclassified as distributions based upon the terms of the Plan document.

Payment of Benefits - Benefits are recorded when paid.

Subsequent Events - The Company has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 28, 2018, the date the financial statements were issued.

3. Fair Value Measurements

Fair value as defined under GAAP is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers are:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.

- Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Plan’s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following is a description of the valuation methodologies used for assets measured at fair value:

Common Stocks

Common stocks in the Plan are publicly traded investments and are valued daily at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds

Mutual funds are publicly traded investments and are valued daily at the closing price reported on the active market on which the funds are traded.

Common Collective Trust Funds

These funds are valued at the net asset value (“NAV”) of units of the collective fund. The NAV is used as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the funds will sell the investment for an amount different from the reported NAV. Participant transactions (purchases and sales) may occur daily. If the Plan initiates a full redemption of the collective trust, the issuer reserves the right to require 12 months’ notification in order to ensure that securities liquidations will be carried out in an orderly business manner. The common collective trust funds are not required to be classified within a level on the fair value hierarchy.

The following tables set forth by level, within the fair value hierarchy, the Plan’s investments at fair value as of December 31, 2017 and 2016:

	Fair Value as of December 31, 2017			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 45,215,477	\$ —	\$ —	\$ 45,215,477
Common stocks	14,488,292	—	—	14,488,292
Total assets in the fair value hierarchy	59,703,769	—	—	59,703,769
Investments measured at net asset value (a)	—	—	—	49,273,389
Investments at fair value	\$ 59,703,769	\$ —	\$ —	\$ 108,977,158

	Fair Value as of December 31, 2016			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 35,301,447	\$ —	\$ —	\$ 35,301,447
Common stocks	19,302,658	—	—	19,302,658
Total assets in the fair value hierarchy	54,604,105	—	—	54,604,105
Investments measured at net asset value (a)	—	—	—	45,408,696
Investments at fair value	\$ 54,604,105	\$ —	\$ —	\$ 100,012,801

(a) In accordance with GAAP, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

6

Edgar Filing: INGLES MARKETS INC - Form 11-K

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient as of December 31, 2017 and 2016. There no participant redemption restrictions for these investments; the redemption notice period is applicable only to the Plan.

	Fair Value December 31, 2017	Fair Value December 31, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common collective trust funds	\$ 49,273,389	\$ 45,408,696	None	Daily	12 months

The Plan recognizes transfers between the levels as of the beginning of the reporting period. There were no transfers between the levels for the years ended December 31, 2017 and 2016.

4. Income Tax Status

The Plan has received a determination letter from the IRS dated November 14, 2013, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the "IRC") and therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualified status.

Effective January 1, 2017 the Employer adopted fully the Volume Submitter Plan and Trust provisions under the Wells Fargo Bank, N.A. Defined Contribution Volume Submitter Plan and Trust. The Plan has not obtained a determination letter from the Internal Revenue Service (the "IRS") stating that the volume submitter plan was in compliance with the applicable requirement of the IRC. The Plan is relying on the IRS approval of the volume submitter plan that it is utilizing. The IRS has determined and informed the document sponsor by a letter dated March 31, 2014 that the volume submitter plan document was designed in accordance with applicable sections of the IRC. The Plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, the Plan administrator believes that the Plan was qualified and the related trust was tax exempt as of the financial statement date.

GAAP requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

5. Exempt Party-in-Interest Transactions

Certain Plan investments are managed by Wells Fargo Bank, N.A., the trustee as defined by the Plan, and therefore these transactions qualify as exempt party-in-interest transactions.

Participants may direct investment of their Plan balances into the Target My Retirement program where the trustee is responsible for managing the investments in participant accounts. These transactions qualify as party-in-interest transactions. Fees paid by Plan participants under the Target My Retirement program were included as a reduction of the return earned on each fund. Target My Retirement investments utilize the following funds:

Wells Fargo/Blackrock AGG BD Index CIT
Wells Fargo/Blackrock Intl Eq Index CIT
Wells Fargo/Blackrock RU 2000 Index CIT
Wells Fargo/Blackrock S&P Midcap Index CIT
Wells Fargo/Blackrock LC Growth Index CIT TR
Wells Fargo/Blackrock LC Value Index CIT TR
Wells Fargo/Blackrock S&P 500 Index CIT
Wells Fargo/Blackrock Short-Term Investment Fund TR

The trustee for the Plan is responsible for maintaining custody of the investment funds, excluding Ingles Markets, Incorporated stock. The Company's Fiduciary Investment and Administrative Committee (the "Committee") appoints the trustee responsible for maintaining custody of the Company stock component of the Ingles Stock Fund – Class B and the Ingles Stock Fund Class

A. The Committee engages an independent co-fiduciary to assist in the selection and monitoring of the Plan's investments funds.

Due to restrictions on the trading periods of the Company stock, effective May 2007, the Plan Sponsor may advance funds to the Plan for the purpose of making distributions of participants' holdings in the Company Stock Fund – Class B. Advances are interest free and will be repaid through the dividends received on the Company Class B stock and the sale of Class B shares to the Plan Sponsor or other qualified transferee, or the conversion of the Company Class B stock to Class A stock and subsequent market sale of the Class A shares. No transactions were made between the Plan Sponsor and the Plan during calendar year 2017.

6. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits. Because the Ingles Stock Fund - Class B and the Ingles Class A Stock Fund are not diversified, they may experience wider variation in value than the other Plan funds.

SUPPLEMENTAL SCHEDULE

9

INGLES MARKETS, INCORPORATED

INVESTMENT/PROFIT SHARING PLAN

Schedule H, Line 4i—Schedule of Assets (Held at End of Year)

December 31, 2017

EIN: #56-0846267

Plan No. 001

(a) Lessor or Similar Party	(b) Identity of Issue, Borrower, Common collective trust funds:	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost **	(e) Current Value
	* Wells Fargo Bank, N.A.	Stable Return Fund N		\$ 16,284,630
	* Wells Fargo Bank, N.A.	Enhanced Stock Market Fund N		15,734,969
	* Wells Fargo Bank, N.A.	Blackrock AGG BD Index CIT		6,199,080
	* Wells Fargo Bank, N.A.	Blackrock Intl Eq Index CIT		3,218,151
	* Wells Fargo Bank, N.A.	Blackrock RU 2000 Index CIT		1,042,650
	* Wells Fargo Bank, N.A.	Blackrock LC Growth Index CIT TR		131,073
	* Wells Fargo Bank, N.A.	Blackrock LC Value Index CIT TR		664,290
	* Wells Fargo Bank, N.A.	Blackrock S&P Midcap Index CIT		1,638,946
	* Wells Fargo Bank, N.A.	Blackrock S&P 500 Index CIT		3,801,334
	* Wells Fargo Bank, N.A.	Blackrock Short-Term Investment Fund TR		558,266
				\$ 49,273,389
	Mutual funds:			
	American Funds	Growth Fund of America R6		3,813,955
	Goldman Sachs	Growth Opp FD		2,955,487
	American Beacon Advisors, Inc.	Large Cap Value		1,965,251
	Oakmark Funds	International Fund		4,606,601
	Vanguard	Total International Index Fund		336,641
	Natixis Loomis, Sayles	Investment Grade Bond Fund		4,899,253

(continued)

INGLES MARKETS, INCORPORATED

INVESTMENT/PROFIT SHARING PLAN

Schedule H, Line 4i—Schedule of Assets (Held at End of Year) (Continued)

December 31, 2017

EIN: #56-0846267

Plan No. 001

(a) Lessor or Similar Party	(b) Identity of Issue, Borrower, Interest, Collateral, Par or Maturity Value	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost **	(e) Current Value
Mutual funds, continued:				
	Vanguard	Total Bond Market Index		409,769
	T. Rowe Price	Small Cap Stock I #525		694,940
	Vanguard	Extended Market Index		5,166,623
	Vanguard	Selected Value		369,011
	JP Morgan Investment Advisors	Smart Retirement Inc		1,087,567
	JP Morgan Investment Advisors	Smart Retirement 2020		2,815,524
	JP Morgan Investment Advisors	Smart Retirement 2025		3,793,731
	JP Morgan Investment Advisors	Smart Retirement 2030		3,082,538
	JP Morgan Investment Advisors	Smart Retirement 2035		2,363,293
	JP Morgan Investment Advisors	Smart Retirement 2040		1,756,006
	JP Morgan Investment Advisors	Smart Retirement 2045		1,582,589
	JP Morgan Investment Advisors	Smart Retirement 2050		2,274,503
	JP Morgan Investment Advisors	Smart Retirement 2055		1,242,195
				\$ 45,215,477
Employer Securities:				
*	Ingles Markets, Incorporated	Ingles Stock Fund – Class B		9,184,979
*	Ingles Markets, Incorporated	Ingles Class A Stock Fund		5,303,313
				\$ 14,488,292
*	Participant loans***	Interest-bearing at 4.25% - 10.00%, maturing January 2018 through August 2025		6,445,160
				\$ 115,422,318

*Party-in-interest

**Cost information omitted for participant-directed investments.

***The accompanying financial statements classify participant loans as notes receivable from participants.

11

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit Plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Ingles Markets, Incorporated

Investment/Profit Sharing Plan

Date: By: /s/ Ronald B. Freeman
June
28,
2018

Ronald B. Freeman

Plan Administrative Committee Member

By: /s/ Cynthia Brooks
Cynthia Brooks

Plan Administrative Committee Member

By: /s/ Patricia Jackson
Patricia Jackson

Plan Administrative Committee Member

EXHIBIT INDEX

Exhibit 23 Consent of Dixon Hughes Goodman LLP

13
