

FINANCIAL STATEMENTS
403(b) THRIFT PLAN OF
GOODWILL INDUSTRIES OF
SOUTH MISSISSIPPI, INC.
DECEMBER 31, 2017 and 2016



**403(b) THRIFT PLAN OF GOODWILL INDUSTRIES OF
SOUTH MISSISSIPPI, INC.
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DECEMBER 31, 2017 and 2016**

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Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC
Wealth Management

INDEPENDENT AUDITORS' REPORT

October 8, 2018

To the Plan Administrator
403(b) Thrift Plan of Goodwill Industries of
South Mississippi, Inc.
Gulfport, Mississippi

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of 403(b) Thrift Plan of Goodwill Industries of South Mississippi, Inc., which comprise the statements of net assets available for benefits as of December 31, 2017 and 2016, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's *Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974*, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 4, which was certified by Mutual of America Life Insurance Company and Lincoln National Life Insurance Company, the custodians of the Plan's assets, except for comparing the information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the custodians hold the Plan's investment assets and execute investment transactions. The plan administrator has obtained a certification from each of the custodians as of and for the years ended December 31, 2017 and 2016, that the information provided to the plan administrator by the custodians is complete and accurate.

Plan Administrator
403(b) Thrift Plan of Goodwill Industries of
South Mississippi, Inc.
October 8, 2018

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

The supplemental Schedule of Assets (Held at End of Year) as of the year ended December 31, 2017 is required by the Department of Labor's *Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974* and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on the supplemental schedule referred to above.

Report of Form and Content in Compliance with DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the custodians, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's *Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974*.

Alexander, Van Loon, Sloan, Levens & Favre, PLLC

ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi

FINANCIAL STATEMENTS

403(B) THRIFT PLAN OF GOODWILL INDUSTRIES OF SOUTH MISSISSIPPI, INC.
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Investments		
Participant-directed investment accounts, at fair value	<u>\$ 2,914,805</u>	<u>\$ 2,665,242</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u><u>\$ 2,914,805</u></u>	<u><u>\$ 2,665,242</u></u>

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

403(B) THRIFT PLAN OF GOODWILL INDUSTRIES OF SOUTH MISSISSIPPI, INC.
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
ADDITIONS TO NET ASSETS		
Investment income:		
Net change in fair value of investments	\$ 109,698	\$ 47,559
Interest	24,761	24,394
Total investment income	134,459	71,953
Contributions:		
Employer's	483,752	477,601
Participants'	30,435	30,580
Participants' rollovers	2,951	-
Total contributions	517,138	508,181
Total additions	651,597	580,134
DEDUCTIONS FROM NET ASSETS		
Distributions paid to participants	400,401	361,032
Administrative expenses	1,633	1,704
Total deductions	402,034	362,736
Net increase in Plan assets	249,563	217,398
Net assets available for benefits, beginning of year	2,665,242	2,447,844
Net assets available for benefits, end of year	\$ 2,914,805	\$ 2,665,242

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

NOTES TO FINANCIAL STATEMENTS

403(b) THRIFT PLAN OF GOODWILL INDUSTRIES OF SOUTH MISSISSIPPI, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 – DESCRIPTION OF PLAN

The following description of the 403(b) Thrift Plan of Goodwill Industries of South Mississippi, Inc. (Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering substantially all employees of both Goodwill Industries of South Mississippi, Inc. and Mississippi Goodworks, Inc. (Organization). There is no minimum age or service requirement to participate. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Organization is required under its governmental contracts to provide certain fringe benefits to the employees who work on the contracted jobs. To satisfy the fringe requirements, the Organization offers this Plan. Under this Plan, the Organization makes contributions in the amounts necessary to comply with the Federal Service Contract Act of 1965 and wage and benefit determinations made from time to time by the Secretary of Labor, U. S. Department of Labor, and as governed by Labor Regulations, which will be deemed an employer's non-elective contribution. Participants may also make voluntary salary reduction contributions to their account up to the allowable maximum contribution as determined by regulations of the Internal Revenue Service.

Contributions and Participants' Accounts

Each participant's account is credited with the participant's elective deferral contribution up to 100% of their compensation not to exceed the limits under Code Section 402(g), an employer's non-elective contribution based on the applicable governmental contract, a discretionary employer base contribution (if any), rollover contributions, and Plan earnings. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Participants are immediately 100% vested in employer non-elective contributions and employee contributions plus actual earnings thereon.

Payment of Benefits

Upon retirement, termination of employment with the Organization, death, or disability, participants or their beneficiaries will receive the vested balance of their accounts in either a series of monthly payments according to the annuity form selected or a lump sum payment. A participant may withdraw a portion of their account in the event of financial hardship, as defined in the Plan.

Participant Loans

Loans are available to participants through Mutual of America, subject to certain limitations. Participant loans are issued directly from funds owned by Mutual of America and loan proceeds are not removed from a participant's account. However, a portion of a participant's account is reserved, or held in collateral, to secure the outstanding loan balance.

403(b) THRIFT PLAN OF GOODWILL INDUSTRIES OF SOUTH MISSISSIPPI, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 – DESCRIPTION OF PLAN (Continued)

Participant Loans (Continued)

Participants may borrow a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or fifty percent (50%) of their account balance. The loans bear interest at a rate of approximately 4%. Principal and interest is paid ratably through biweekly payroll deductions. At December 31, 2017 and 2016, participants had outstanding loans due to Mutual of America of \$139,243 and \$144,660, respectively.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan are prepared using the accrual basis of accounting.

Investment Valuation and Income Recognition

The Plan's investments are stated 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 4 for discussion of fair value measurements.

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.

Payment of Benefits

Benefits are recorded when paid.

DOL Limited-Scope Audit

As permitted by 29 CFR 2520.103-8 of the Department of Labor's *Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974* (ERISA), the audit was performed with a limited-scope related to investment information certified by Mutual of America Life Insurance Company and Lincoln National Life Insurance Company, the custodians of the Plan's assets. The financial statement amounts certified by the custodians include investment assets, transactions, and income.

403(b) THRIFT PLAN OF GOODWILL INDUSTRIES OF SOUTH MISSISSIPPI, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Use of Estimates

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

NOTE 3 – INVESTMENTS

During the years ended December 31, 2017 and 2016, the appreciation (depreciation) of the Plan's investment values are as follows:

	2017	2016
Investment appreciation (depreciation)	\$ 109,698	\$ 47,559

NOTE 4 – FAIR VALUE MEASUREMENTS

The Plan's investments are reported at fair value in the accompanying statements of net assets available for benefits. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan 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.

	Fair Value	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Unobservable Inputs Level 3
December 31, 2017			
Mutual funds	\$ 660,239	\$ 660,239	\$ -
Funds of funds	50,224	50,224	-
General account funds	2,204,342	-	2,204,342
Total	\$ 2,914,805	\$ 710,463	\$ 2,204,342
December 31, 2016			
Mutual funds	\$ 521,510	\$ 521,510	\$ -
Funds of funds	49,557	49,557	-
General account funds	2,094,175	-	2,094,175
Total	\$ 2,665,242	\$ 571,067	\$ 2,094,175

403(b) THRIFT PLAN OF GOODWILL INDUSTRIES OF SOUTH MISSISSIPPI, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 4 – FAIR VALUE MEASUREMENTS (Continued)

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; or Level 3, which refers to securities value based on significant unobservable inputs. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Plan measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 1 fair value measurements

The fair value of mutual funds (and funds of funds) is based on quoted net asset values of the shares held by the Plan at year-end.

Level 3 fair value measurements

The general account funds are not actively traded and significant other observable inputs are not available. The fair value of the general account funds is derived from the contract provisions. The following table provides further details of the Level 3 fair value measurements.

Fair value measurements using significant unobservable inputs (Level 3)

As of December 31, 2017 and 2016, the Level 3 fair value measurement details are as follows:

General Account Funds	2017	2016
Balances, beginning of year	\$ 2,094,175	\$ 1,976,427
Interest	24,761	24,394
Purchases	473,034	454,921
Transfers	(26,449)	(3,000)
Sales	(361,179)	(358,567)
Balance, end of year	\$ 2,204,342	\$ 2,094,175

The Plan's policy is to recognize transfers into and out of Level 3 as of the date of the event or change in circumstances that caused the transfer. Transfers into or out of Level 3 investments for the years ended December 31, 2017 and 2016 relate to participants' changes in investment allocations. For Level 3 investments, there are no gains or losses for the years ended December 31, 2017 and 2016 included in changes in net assets available for benefits attributable to the changes in unrealized gains or losses relating to assets held at the end of the reporting period.

403(b) THRIFT PLAN OF GOODWILL INDUSTRIES OF SOUTH MISSISSIPPI, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 5 – INCOME TAX STATUS

The Plan is intended to comply with the applicable requirements of Section 403(b) of the Internal Revenue Code of 1986, as amended (IRC). A tax determination letter program is not yet available for the IRC Section 403(b) plans through the Internal Revenue Service. The plan administrator believes that the Plan is currently designed and being operated in compliance with applicable requirements of the IRC and as such is exempt from Federal income taxes.

NOTE 6 – RELATED PARTIES AND PARTIES-IN-INTEREST

Certain Plan investments are managed by Mutual of America Life Insurance Company and Lincoln National Life Insurance Company. Mutual of America and Lincoln are custodians as defined by the Plan and, therefore, these investments and investment transactions qualify as party-in-interest transactions. Fees paid by the Plan to Mutual of America and Lincoln for the years ended December 31, 2017 and 2016 totaled \$1,633 and \$1,704, respectively.

Administrators of the Plan, and members of management of the Plan sponsor, are participating in the Plan. However, there are no transactions with individuals within either of these groups other than their participation in the Plan. The Plan sponsor is absorbing part of the administrative cost of the Plan.

NOTE 7 – PLAN TERMINATION

Although it has not expressed any intention to do so, the Organization has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA.

NOTE 8 - RISKS AND UNCERTAINTIES

The Plan assets are invested in a variety of investments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of net assets available for benefits.

NOTE 9 – RECONCILIATION WITH 5500

The reconciliation of the Mutual of America General Account on the Schedule H, line 4i – Schedule of Assets (Held at End of Year) is as follows:

Supplemental Schedule, page 11	\$ 2,011,964
Attachment to 2017 Form 5500	<u>1,872,721</u>
Participant loan balance with Mutual of America	<u><u>\$ 139,243</u></u>

403(b) THRIFT PLAN OF GOODWILL INDUSTRIES OF SOUTH MISSISSIPPI, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 10 – SUBSEQUENT EVENTS

Management evaluated subsequent events through October 8, 2018, the date on which the financial statements were available to be issued.

On June 12, 2018, the Board unanimously approved an amendment to the retirement plan. The plan will provide a 1% match to all Goodwill employees, all of which will be automatically enrolled with the option to opt out at any time. A plan 457(b) will also be offered to senior staff once they have maxed out their 403(b) contribution.

Subsequent to year end, it was determined that employer contributions were incorrectly calculated on one payroll period and there were two employees with miscalculations of payroll. These were considered insignificant and not recurring. Self-corrections are being made by the Plan sponsor to bring the employees' compensation up to what it would be if the errors had not occurred.

SUPPLEMENTAL SCHEDULE

403(b) THRIFT PLAN OF GOODWILL INDUSTRIES OF SOUTH MISSISSIPPI, INC.

IRS FORM 5500

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

EIN 64-0547585, PN 001

December 31, 2017

[a]	[b]	[c]	[d]	[e]
	Identity of issue, borrower, lessor, or similar party	Description of Investment including maturity date, rate of interest, par, or maturity value	Cost	Current Value
*	Mutual of America Interest Accumulation	General account, 2,011,964 units	**	\$ 2,011,964
*	Mutual of America All America Fund	Mutual Fund, 368 units	**	7,701
*	Mutual of America Bond Fund	Mutual Fund, 258 units	**	1,764
*	Mutual of America Composite Fund	Mutual Fund, 1,836 units	**	20,550
*	Mutual of America Equity Index Fund	Mutual Fund, 12,406 units	**	93,716
*	Mutual of America Moderate Allocation	Fund of Funds, 3,196 units	**	8,431
*	Mutual of America Aggressive Allocation	Fund of Funds, 3,297 units	**	10,413
*	Mutual of America Mid Cap Value Fund	Mutual Fund, 13,266 units	**	31,620
*	Mutual of America Small Cap Growth Fund	Mutual Fund, 57,146 units	**	152,176
*	Mutual of America Small Cap Value Fund	Mutual Fund, 8,116 units	**	21,114
*	Mutual of America 2020 Retirement Fund	Fund of Funds, 795 units	**	1,332
*	Mutual of America 2025 Retirement Fund	Fund of Funds, 2,839 units	**	5,017
*	Mutual of America 2030 Retirement Fund	Fund of Funds, 7,790 units	**	14,413
*	Mutual of America 2035 Retirement Fund	Fund of Funds, 3,295 units	**	6,160
*	Mutual of America 2040 Retirement Fund	Fund of Funds, 1,109 units	**	2,072
*	Mutual of America 2045 Retirement Fund	Fund of Funds, 286 units	**	531
*	Mutual of America 2050 Retirement Fund	Fund of Funds, 1,046 units	**	1,855
	American Century VP Capital Appreciation	Mutual Fund, 353 units	**	18,129
	Fidelity Investments VIP Equity-Income	Mutual Fund, 798 units	**	67,717
	Fidelity Investments VIP Contrafund	Mutual Fund, 54 units	**	5,391
	Fidelity Investments VIP Mid Cap	Mutual Fund, 1,401 units	**	131,440
	Vanguard VIF Diversified Value	Mutual Fund, 359 units	**	11,301
	Vanguard VIF International	Mutual Fund, 1,065 units	**	40,568
	Vanguard VIF REIT Index Portfolio	Mutual Fund, 26 units	**	448
	T. Rowe Price Blue Chip Growth Portfolio	Mutual Fund, 17 units	**	527
	Fidelity VIP Asset Manager Portfolio	Mutual Fund, 391 units	**	20,889
	AB VPS Global Thematic	Mutual Fund, 10 units	**	79
	American Century VP Balanced	Mutual Fund, 15 units	**	706
	American Funds Global Growth	Mutual Fund, 20 units	**	638
	Delaware VIP REIT Series	Mutual Fund, 53 units	**	2,172
	Fidelity Asset Manager	Mutual Fund, 4 units	**	190
	Fidelity Growth Portfolio	Mutual Fund, 146 units	**	14,033

**403(b) THRIFT PLAN OF GOODWILL INDUSTRIES OF SOUTH MISSISSIPPI, INC.
IRS FORM 5500**

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

EIN 64-0547585, PN 001

December 31, 2017

(Continued)

[a]	[b]	[c]	[d]	[e]
	Identity of issue, borrower, lessor, or similar party	Description of Investment including maturity date, rate of interest, par, or maturity value	Cost	Current Value
*	Lincoln Financial Group Fixed Account	General Account, 192,378 units	**	192,378
*	Lincoln VIP S&P 500 Index	Mutual Fund, 432 units	**	9,079
*	Lincoln VIP SSGA Small-Cap Index	Mutual Fund, 330 units	**	6,507
*	Lincoln VIP T. Rowe Price Structured T. Rowe Price Int'l Stock	Mutual Fund, 12 units Mutual Fund, 53 units	** **	421 1,363
			Total assets (held at end of year)	\$ 2,914,805

* Represents a party-in-interest

** Cost information not provided - 403(b) participant-directed investments

See independent auditors' report.