ENNIS, INC.
Form 11-K
June 28, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

Annual Report of Ennis, Inc. 401(k) Plan

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

x **Annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934** *(No Fee Required)*
For the Calendar Year Ended December 31, 2011

OR

¨ **Transition report pursuant to Section 15(d) of the Securities Exchange Act of 1934** *(No Fee Required)*
For the transition period from to

Commission files number 1-5807

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

Ennis, Inc. 401(k) Plan

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

Ennis, Inc.

2441 Presidential Parkway

Midlothian, TX 76065

(972) 775-9801

Table of Contents

REQUIRED INFORMATION

Pursuant to the section of the General Instructions to Form 11-K entitled Required Information , this Annual Report on Form 11-K for the year ended December 31, 2011 consists of the audited financial statements of the Ennis Inc. 401(k) Plan (the Plan) for the year ended December 31, 2011 and the related schedules thereto. The Plan is subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), and in accordance with Item 4 of the section of the General Instructions to Form 11-K entitled Required Information , the financial statements and schedules furnished herewith have been prepared in accordance with the financial reporting requirements of ERISA in lieu of the requirements of Items 1-3 of that section of the General Instructions. Schedules I, II, and III are not submitted because they are either not applicable, the required information is included in the financial statements or notes thereto, or they are not required under ERISA.

ENNIS, INC. 401(k) PLAN

Financial Statements and Supplemental Schedule

(Modified Cash Basis)

December 31, 2011 and 2010

Table of Contents

Note: other supplemental schedules required by Section 252.103-10 of the Department of Labor s Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable.

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Participants and Administrator

Ennis, Inc. 401(k) Plan

We have audited the accompanying statements of net assets available for benefits (modified cash basis) of the Ennis, Inc. 401(k) Plan (the Plan) as of December 31, 2011 and 2010, and the related statement of changes in net assets available for benefits (modified cash basis) for the year ended December 31, 2011. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. 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 audits provide a reasonable basis for our opinion.

As described in Note 2, the financial statements and supplemental schedule were prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits (modified cash basis) of the Ennis, Inc. 401(k) Plan as of December 31, 2011 and 2010, and the changes in net assets available for benefits (modified cash basis) for the year ended December 31, 2011, in conformity with the modified cash basis of accounting described in Note 2.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) (modified cash basis) as of December 31, 2011, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan s management. The information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ BKM Sowan Horan, LLP

Addison, Texas

June 28, 2012

Table of Contents

ENNIS, INC. 401(k) PLAN

Statements of Net Assets Available for Benefits (Modified Cash Basis)

December 31, 2011 and 2010

	2011	2010
Assets:		
Investments held by Trustee at fair value	$ 48,386,630	$ 49,382,633
Notes receivable from participants	2,434,406	2,260,944
Net assets available for benefits, at fair value	50,821,036	51,643,577
Adjustment from fair value to contract value for fully benefit responsive investment contracts	(219,092)	(113,914)
Net assets available for benefits, at contract value	$ 50,601,944	$ 51,529,663

See accompanying notes to the financial statements

2

Table of Contents

ENNIS, INC. 401(k) PLAN

Statement of Changes in Net Assets Available for Benefits

(Modified Cash Basis)

Year Ended December 31, 2011

	2011
Additions, to net assets attributed to:	
Employee contributions	$ 2,586,488
Employer matching contributions	562,596
Employer discretionary contributions	289,000
Employee rollover contributions	645,487
Total contributions	4,083,571
Interest on notes receivable from participants	109,714
Investment income:	
Dividends	49,677
Interest on guaranteed income fund	91,706
Net appreciation in fair value of investments	(234,535)
Total investment income	(93,152)
Total additions	4,100,133
Deductions:	
Administrative expenses	(31,136)
Benefits paid and withdrawals	(4,996,716)
Total deductions	(5,027,852)
Net decrease or increase	(927,719)
Net assets available for benefits at beginning of year	51,529,663
Net assets available for benefits at end of year	$ 50,601,944

See accompanying notes to the financial statements

Table of Contents

ENNIS, INC. 401(k) PLAN

Notes to Financial Statements (Modified Cash Basis)

1. Description of the Plan

The following description of the Ennis, Inc. 401(k) Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan s provisions.

(a) General

The Plan is a defined contribution plan covering substantially all employees of Ennis, Inc. (the Company). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended, (ERISA) and the Internal Revenue Code (IRC).

The Plan was formed February 1, 1994 and restated in its entirety effective January 1, 2010 to conform with ERISA and IRC regulations. On March 1, 2011, the Plan was amended and the assets were transferred and invested with a new custodian, American United Life Insurance Company (AUL).

(b) Eligibility

Employees age 18 and older of the Company are eligible to participate in the Plan and receive matching contributions after completing 60 days of service, as defined by the Plan.

Employees are eligible to receive discretionary profit sharing contributions, if granted, after completing 1,000 hours within their first 12 months of service.

(c) Contributions

Participants may make voluntary contributions to the Plan ranging from 1% to 100% of eligible pay subject to the Internal Revenue Service (IRS) annual limitations. The Plan allows catch-up contributions (within the meaning of Section 414(v) of the IRC) for participants who have reached age 50 by the end of the plan year. The Plan also allows rollovers of distributions from other qualified plans.

The Company makes discretionary matching contributions at a rate determined by the plan sponsor for certain employees not enrolled in the Pension Plan for employees of the Company. The total matching contribution is not to exceed $1,500 or 3% of the employee s annual salary, or discretionary employer contributions. Eligibility for employer contributions depends on the participant s employment location as defined in the plan document.

The Plan automatically enrolls all newly eligible participants into the Plan at a 2% deferral rate.

In addition, each year, the Company may at its discretion, make profit sharing contributions for the plan year not to exceed certain limitations prescribed by the IRC. During 2011, the Company declared a discretionary profit sharing contribution of $269,000 on behalf of the former employees of Northstar Computer Forms, Inc. in accordance with its original plan. This contribution will be contributed to the Plan in 2012. The Northstar Computer Forms, Inc. 401(k) Profit Sharing Plan was merged into the Plan on February 1, 2001.

(d) Participant Accounts

Each participant s account is credited with the participant s contribution, any employer contributions, and the allocation of the Plan earnings. Allocations are based on participant earnings or account balances, as defined in the Plan document. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested interest in his or her account.

ENNIS, INC. 401(k) PLAN

Notes to Financial Statements (Modified Cash Basis)

1. Description of the Plan - continued

(e) Vesting

Participants are immediately vested in their salary deferrals, rollover contributions, and employer matching contributions. Profit sharing contributions vest over a 5 year graded vesting schedule as defined in the plan document. Special vesting schedules ranging from 3 to 6 years apply to certain employees based on their location as defined in the plan document.

(f) Notes Receivable from participants

Under provisions of the Plan, participants are allowed to borrow from their Plan accounts. The maximum amount that a participant may borrow is the lesser of (i) 50% of their total vested account balance or (ii) $50,000 less the highest loan balance outstanding. Note repayments are made in equal installments through payroll deductions generally over a term not to exceed five years. All notes are considered a directed investment from the participant s Plan account with all payments of principal and interest credited to the participant s account. A maximum number of two outstanding notes are allowed per individual. The minimum note is $1,000 and there is a $100 set-up fee payable for each note. The interest rate is determined based on the prime rate as determined by the Plan s trustee plus 1%.

(g) Payment of benefits

Upon termination of service, financial hardship, retirement, or disability, the participant or their beneficiary has the option to withdrawal qualified amounts up to the participant s vested account balance. Participants that reach the age of 70 1/2 are required to take a minimum distribution from their account.

(h) Administrative expenses

In accordance with the Plan, all administrative expenses may be paid out of the Plan unless paid by the Company. During the year ended December 31, 2011, substantially all of the Plan s administrative expenses were paid by the Company.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting and present the net assets available for benefits and changes in those net assets. Consequently, certain additions and the related assets are recognized when received rather than when earned and certain deductions are recognized when paid rather than when the obligation is incurred. The modified cash basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

(b) ***Use of Estimates***

The preparation of the Plan s financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to net assets available for benefits during the reporting period. Actual results could differ from those estimates. See Note 5 for discussion of significant estimates used to measure fair value of investments.

Table of Contents

ENNIS, INC. 401(k) PLAN

Notes to Financial Statements (Modified Cash Basis)

2. Summary of Significant Accounting Policies - continued

(c) Investments Valuation and Income Recognition

There were no changes in the Plan s valuation methodologies for its investments during the years ended December 31, 2011 and 2010. The valuation methods described below may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan s management believes the valuation methods are appropriate and consistent with other market participants, the use of differing methodologies or assumptions to determine the fair values of the Plan s investments could result in different fair value measurements at the reporting dates.

The Plan provides for investments in a guaranteed investment contract (GIC) and pooled-separate accounts (including a Company stock fund). The Plan s investments are stated at fair value (see Note 5). The GIC investment is fully benefit-responsive and is stated at contract value, which is equal to principal plus accrued interest. An investment contract is generally valued at contract value, rather than at fair value, to the extent it is fully benefit-responsive (see Note 4).

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

(d) Notes receivable from participants

Notes receivable from participants are reported at their unpaid principal balance. An allowance for credit losses is not necessary as the notes are collateralized by the participants account balance. Delinquent notes from participants are reclassified as distributions based upon provisions of the Plan document. Participant loans are considered delinquent if any payment of principal and interest, or any portion thereof, remains unpaid for more than 90 days after due.

(e) Benefits paid to participants

Benefits paid to participants are recorded as a reduction of net assets available for benefits when paid. For all employees who have terminated with an account balance between $1,000 and $5,000, the Plan Administrator has the right to automatically rollover the balance to an individual retirement plan designated by the Administrator, at the expense of the Plan. For terminated employees with a vested account balance less than $1,000, a check will be issued to the participant.

(f) Forfeitures

Forfeitures may be used to reduce future employer contributions or to pay administrative expenses. There were unallocated forfeitures of approximately $227,000 and $210,000 at December 31, 2011 and 2010, respectively. No forfeitures were used during the year ended December 31, 2011.

(g) Subsequent Events

Management of the Plan has evaluated subsequent events through June 28, 2012, the date the financial statements were issued, and determined that there were no significant events, that were either required to be recorded as of December 31, 2011, or disclosed in the financial statements.

Table of Contents

ENNIS, INC. 401(k) PLAN

Notes to Financial Statements (Modified Cash Basis)

2. Summary of Significant Accounting Policies - continued

(h) Risks and Uncertainties

The Plan and its participants invest in various investment securities. Investment securities, in general, are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities, it is possible that changes in the value of investment securities will occur at any given time, and that such changes could materially affect participants account balances and the amounts reported in the statements of net assets available for benefits.

(i) New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued guidance which expanded the required disclosures about fair value measurements. This guidance requires information about purchases, sales, issuances and settlements to be presented separately in the reconciliation for Level 3 fair value measurements and is effective for fiscal years beginning after December 31, 2010. The adoption of the guidance did not have a material impact on the Plan financial statements.

In May 2011, the FASB issued guidance which amends Accounting Standards Codification (ASC) 820. This guidance requires the categorization by level for items that are only required to be disclosed at fair value and information about transfers between Level 1 and Level 2. In addition, it provides guidance on measuring the fair value of financial instruments managed within a portfolio and the application of premiums and discounts on fair value measurements. The guidance requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. The new guidance is effective for reporting periods beginning after December 31, 2011. Plan management is currently evaluating the impact that this guidance will have on the Plan s financial statement disclosures.

Table of Contents

ENNIS, INC. 401(k) PLAN

Notes to Financial Statements (Modified Cash Basis)

3. Investments

Participants may direct the allocation of amounts deferred to the available investment options. Provisions of the Plan allow participant contributions in 5% increments to be vested in any of the available options.

The Plan s investments, at fair value, at December 31, 2011 and 2010 were comprised of the following:

	2011	2010
AUL Fixed Account	$ 11,331,304*	$
ING Fixed Account		10,688,942*
Amer Fds Fundamental Inv	5,150,139*	
Fidelity VIP Contrafund Port-I		5,781,554*
PIMCO Total Return	4,278,120*	
SSgA S&P Mid Cap 400 Index Stra	3,941,636*	
ING PIMCO Total Return Port.		4,582,157*
ING VP Index Plus Mid-Cap Port		4,272,200*
Amer Fds Grwth Fund of American	2,915,568*	
AmCent Equity Income	2,896,542*	
The Growth Fund of America		3,504,105*
AmCent LIVESTRONG 2025	2,452,551	
Janus Balanced	2,449,121	
Aer Fds Capital World Gro&Inc	2,413,495	
American Funds Cap Wld G&		2,984,772*
AmCent LIVESTRONG 2035	2,186,336	
VVIF-Diversified Value Portfolio		2,880,860*
AmCent LIVESTRONG 2015	1,655,624	
The Income Fund of America		2,128,181
ING Solution 2035 Port-Adv		2,013,684
Lord Abbett Small Cap Value	1,713,023	1,978,065
ING Solution 2025 Port-Adv		1,972,118
BMO Small-Cap Growth	1,439,421	
ING Baron Small Cap Gr Port		1,491,683
Ennis Employer Stock	1,239,460	1,318,169
T. Rowe Price Mid-Cap Val Fd	964,818	1,206,366
ING Solution 2015 Port-Adv		688,135
American Balanced Fund		668,971
AmCent LIVESTRONG 2045	379,693	
ING Index Sol 2015-Cl		502,129
Oppenheimer Develop Mkts	310,552	
ING Solution 2045 Port-Adv		326,504
AmCent LIVESTRONG 2030	226,574	
AmCent LIVESTRONG 2020	211,846	
ING Index Sol 2035-Cl		250,031
AmCent LIVESTRONG Income	141,832	
ING Index Sol 2025-Cl		80,120
AmCent LIVESTRONG 2040	44,613	
AmCent LIVESTRONG 2050	43,820	
ING Solution Income Port-Adv		52,382
ING Index Sol 2045-Cl		8,633
ING index Solution 2055 Port Adv		1,495

ING Solution 2055 Portfolio Adv		1,377
AmCent LIVESTRONG 2055	542	
Total investments	$ 48,386,630	$ 49,382,633

* Represents 5% or more of the net assets available for benefits at fair value.

Table of Contents

ENNIS, INC. 401(k) PLAN

Notes to Financial Statements (Modified Cash Basis)

3. Investments - Continued

The Plan s investments, including gains and losses on investments bought and sold, as well as held during the year, appreciated (depreciated) in value as follows:

	2011
Company stock fund	$ 263,407
Pooled separate accounts	38,559
Guaranteed investment contract	(536,501)
Net depreciation in fair value of investments	$ (234,535)

4. Investments in Insurance Contracts

As discussed in Note, 1, the Plan switched providers from ILIAC to AUL. The Plan maintains one GIC related investment option, the AUL Fixed Account. While with ILIAC, the Plan maintained one GIC related investment option, the ING Fixed Account. The underlying investment options of these contracts are considered to be fully benefit-responsive as described in FASB ASC 946, Plan-Accounting-Defined Contribution Pension Plans. As of December 31, 2011 and 2010, the contract value of these investments is $11,112,212 and $10,575,028, respectively.

The average yields for the contract for the years ended December 31, 2011 and 2010, were 3.00% and 3.35%, respectively. The crediting interest rates for the contract as of December 31, 2011 and 2010 were 2.5% and 3.5%, respectively. The minimum crediting interest rates for the contract for the years ended December 31, 2011 and 2010 were 3.00% and 3.05%, respectively.

The determination of credited interest rates, as determined by the service providers, reflect a number of factors, including mortality and expense risks, interest rate guarantees, the investment income earned on invested assets and the amortization of any capital gains and/or losses realized on the sale of invested assets. A market value adjustment may apply to amounts withdrawn at the request of the contract holder.

The underlying contract has no restrictions on the use of Plan assets and there are no valuation reserves recorded to adjust contract amounts.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (i) amendments to the Plan documents (including complete or partial plan termination or merger with another plan) (ii) changes to the Plan s prohibition on competing investment options or deletion of equity wash provisions; or (iii) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA. The Plan Administrator does not believe that the occurrence of any such event, which would limit the Plan s ability to transact at contract value with participants, is probable.

The Fixed Account does not permit AUL to terminate the agreement prior to the scheduled maturity date.

Table of Contents

ENNIS, INC. 401(k) PLAN

Notes to Financial Statements (Modified Cash Basis)

5. Fair Value Measurements

Financial Accounting Standards Board Statement Accounting Standards Codification 820 Fair Value Measurements and Disclosures (ASC 820) establishes a framework for measuring fair value. This framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The three levels of the fair value hierarchy are described below:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quotes quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

An asset or liability s classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Company stock fund: The fund is made up of Ennis, Inc. stock which is valued at the closing price reporting on the active market on which the security is traded. The fund also consists of cash component to initiate and close daily trade activity. The cash component is valued at cost which approximates fair value.

Pooled separate accounts: The units of the pooled separate accounts are determined at the close of each business day and are directly related to the net asset value of the underlying investment adjusted for dividends or distributions received by the Custodian and the daily equivalent of any fees charged.

Guaranteed investment contract: Valued at the amount plan participants or plan sponsors would receive if they were to withdraw or transfer funds within the Plan prior to their maturity.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. The disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Table of Contents

ENNIS, INC. 401(k) PLAN

Notes to Financial Statements (Modified Cash Basis)

5. Fair Value Measurements - Continued

The following table presents the Plan s fair value hierarchy for those assets measured at fair value as of December 31, 2011 and 2010.

		Fair Value Measurements at 12/31/11		
Description	**Total**	**(Level 1)**	**(Level 2)**	**(Level 3)**
Pooled separate accounts:				