NCI BUILDING SYSTEMS INC
Form 11-K
June 29, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

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

For the fiscal year ended December 31, 2016

OR

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

For the transition period from _____ to _____.

Commission file number: 1–14315

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

NCI 401(k) Profit Sharing Plan

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

NCI Building Systems, Inc.
10943 North Sam Houston Parkway West
Houston, Texas 77064

NCI 401(K) PROFIT SHARING PLAN

December 31, 2016 and 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee and
401(k) Benefits Administrative Committee of
NCI 401(k) Profit Sharing Plan:

We have audited the accompanying Statements of Net Assets Available for Benefits of the NCI 401(k) Profit Sharing Plan (the "Plan") as of December 31, 2016 and 2015 and the related Statements of Changes in Net Assets Available for Benefits for the years then ended. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of the Plan's internal control over financial reporting. Our audits included 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2016 and 2015 and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The supplemental information in the accompanying Schedule of Assets (Held at End of Year) as of December 31, 2016 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 financial statements, but includes supplemental information required by the Department of Labor's ("DOL") Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 ("ERISA"). This 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 in the accompanying schedule, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA. In our opinion, the supplemental information in the accompanying schedule is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

/s/ Ham, Langston & Brezina, L.L.P.

Houston, Texas
June 28, 2017

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NCI 401(k) Profit Sharing Plan
Statements of Net Assets Available for Benefits
December 31, 2016 and 2015

	2016	2015
Assets:		
Investments, at fair value (See Notes 3 and 4):		
Mutual funds	$119,377,865	$111,975,705
Common collective trusts	72,577,367	71,226,738
NCI Stock Fund	8,478,445	9,245,260
Total investments	200,433,677	192,447,703
Receivables:		
Participants' contributions	373,846	345,725
Employer contributions	1,278,789	1,180,303
Participant notes receivable	7,940,183	8,282,847
Total receivables	9,592,818	9,808,875
Net Assets Available for Benefits	$210,026,495	$202,256,578

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

NCI 401(k) Profit Sharing Plan
Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2016 and 2015

	2016	2015
Net additions to net assets attributable to:		
Investment income (loss):		
Interest and dividends	$1,945,227	$1,966,852
Net appreciation (depreciation) in fair value of investments	14,895,767	(5,930,755)
Total investment income (loss), net	16,840,994	(3,963,903)
Interest from participant notes receivable	337,314	371,878
Contributions:		
Participants	11,692,236	10,998,432
Employer	4,356,980	3,960,820
Rollovers	1,004,322	1,427,207
Total contributions	17,053,538	16,386,459
Total additions	34,231,846	12,794,434
Deductions from net assets attributable to:		
Benefits paid directly to participants	26,132,720	26,586,191
Administrative expenses	329,209	337,857
Total deductions	26,461,929	26,924,048
Net increase (decrease)	7,769,917	(14,129,614)
Net Assets Available for Benefits, Beginning of Year	202,256,578	216,386,192
Net Assets Available for Benefits, End of Year	$210,026,495	$202,256,578

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

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NCI 401(k) Profit Sharing Plan
Notes to Financial Statements
December 31, 2016 and 2015

Note 1: Description of the Plan

The following description of the NCI 401(k) Profit Sharing Plan (the “Plan”) provides only general information. Participants should refer to the Summary Plan Description for a more complete description of the Plan’s provisions, which is available from the Plan administrator.

General

The Plan, established January 15, 1992, is a defined contribution plan covering all eligible employees of NCI Building Systems, Inc. and its affiliates (the “Company” or “Plan Sponsor”), excluding CENTRIA. CENTRIA, which the Company acquired in January 2015, sponsored a separate defined contribution plan for its eligible employees through December 31, 2016. Effective January 1, 2017, the CENTRIA 401(k) Profit Sharing Plan was merged into the Plan, as described in Note 8 — Subsequent Events.

The Plan has been amended from time to time. Effective January 1, 2016, the Plan was amended and restated in the form of a volume submitter plan sponsored by Wells Fargo Bank, N.A. The amendment also included certain changes to the Plan with respect to employee eligibility and the vesting of the Company’s contributions to participants’ accounts. New employees are eligible to participate in the Plan on the first day of the month following 30 days of employment. These changes did not have a significant effect on the Plan’s net assets available for benefits.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”).

Contributions

Participants may contribute a minimum of 1% up to a maximum of 50% of their annual compensation, limited to the maximum limit determined annually by the Internal Revenue Service. Highly compensated employees may defer a maximum of 7% of their annual compensation.

The Company may make a discretionary contribution in an amount determined by the Plan Sponsor. During the years ended December 31, 2016 and 2015, the Company made discretionary contributions totaling $4,356,980 and $3,960,820, respectively, of which $1,278,789 and $1,180,303, respectively, are included in employer contributions receivable.

Participants’ direct the investment of their contributions, as well as the Company’s contribution, into various investment options offered by the Plan. The Plan currently offers a variety of mutual funds (including unitized portfolios), common collective trust funds, and the NCI Stock Fund as investment options for participants.

Participant Accounts

Each participant’s account is credited with the participant’s contribution, the Company’s contribution and the Plan’s earnings, and is charged with withdrawals and an allocation of Plan losses and certain administrative expenses such as participant loan fees, express mailing charges on requested distributions, and frequent trading fees. The allocation of expenses is based on the participant’s earnings or account balance, 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 account balance.

Vesting and Forfeitures

Participants are immediately vested in their voluntary contributions plus earnings thereon. Vesting in the Company's contribution portion of their accounts plus earnings thereon is based on years of continuous service. Prior to January 1, 2016, participants fully vested after six years of continuous service, except as otherwise provided in the Plan with respect to the accounts of certain participants who were employees of companies acquired by the Company. Effective January 1, 2016, the Plan was amended, whereby participants are fully vested in the Company's contributions to their accounts after three years of continuous service.

A participant becomes fully vested upon death, becoming disabled (as defined in the Plan) or attaining age 65; otherwise, the non-vested balance is forfeited upon termination of service. Forfeitures may be used to pay for Plan administrative expenses and

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to reduce employer matching contributions. At December 31, 2016 and 2015, forfeited, non-vested accounts totaled approximately $17,454 and $11,186, respectively. For the years ended December 31, 2016 and 2015, Plan fees totaling approximately $67,728 and $99,745, respectively, were paid from forfeited, non-vested accounts.

Payment of Benefits

Upon termination of service, a participant may elect to receive a lump-sum amount equal to the vested value of the participant's account, shares of the Company's common stock at the value of the NCI Stock Fund, or continue in the trust in such a manner as though the participant had not terminated (if the participant's account balance is greater than $5,000, excluding rollover contributions), subject to minimum distribution rules as described in the Plan.

Participant Notes Receivable

Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum of $50,000, or 50% of their vested account balances, whichever is less. The loans are secured by the balances in the participants' accounts and bear interest at rates that are commensurate with local prevailing rates as determined by the Plan administrator. Interest rates on outstanding participant notes receivable ranged from 4.25% to 10.25% at December 31, 2016 and 4.25% to 9.50% at December 31, 2015.

Plan Termination

Although it has not expressed an intention 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% vested in their accounts.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Certain reclassifications have been made to the prior period amounts in the notes to the financial statements to conform to the current presentation. The net effect of these reclassifications had no effect on the financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

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.

Valuation of Investments and Income Recognition

The Plan’s 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.

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Net appreciation (depreciation) in fair value of investments includes realized gains and losses on investments sold during the year and unrealized appreciation (depreciation) of investments held at the end of the year. 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.

Participant Notes Receivable

Participant notes receivable are measured at their unpaid principal balance plus any accrued, unpaid interest. Delinquent participant loans are reclassified as distributions based upon the terms of the Plan document. No allowance for credit losses was recorded as of December 31, 2016 and 2015.

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

Administrative Expenses

Certain expenses of maintaining the Plan are paid directly by the Company and are excluded from these financial statements. Fees related to the administration of notes receivable from participants are charged directly to the participant’s account and are included in administrative expenses. Investment related expenses are included in net appreciation (depreciation) of fair value of investments.

Expense Offset Arrangements

Fees incurred by the Plan for investment management services or recordkeeping are included in net appreciation (depreciation) in fair value of investments, as they are paid through revenue sharing, rather than by direct payment.

Recently Adopted Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (“ASU 2015-07”). ASU 2015-07 removes the requirement to include investments in the fair value hierarchy for which fair value is measured using the net asset value per share practical expedient under ASC 820, Fair Value Measurement and Disclosures. However, the fair value of such investments is required to be disclosed. Plan management adopted ASU 2015-07 as of December 31, 2016 and applied the provision retrospectively. As a result of the adoption, the Plan’s investments in common collective trusts and the NCI Stock Fund are excluded from the fair value hierarchy table in Note 3 to the financial statements. The adoption had no impact on the Statements of Net Assets Available for Benefits as of December 31, 2016 and 2015 or the Statements of Changes in Net Assets Available for Benefits for the years ended December 31, 2016 and 2015.

In July 2015, the FASB issued ASU No. 2015-12, Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient (“ASU 2015-12”). Part I designates contract value as the only required measure for fully benefit-responsive investment contracts (FBRICs). The Wells Fargo Stable Return Fund is a stable-value investment fund that is composed primarily of FBRICs. Upon adoption of this ASU, the Statement of Net Assets Available for Benefits presentation for this fund was adjusted to reflect the fair value. Part II eliminates the requirements to disclose individual investments that represent 5 percent or more of net assets available for benefits and the net appreciation or depreciation in fair value of investments by general type, and also simplifies the level of disaggregation of investments. These changes were applied retrospectively and are reflected in Note 3. Part III is not applicable to the Plan.

Note 3: Fair Value Measurements

ASC 820 defines fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include: 1) quoted prices for similar assets or liabilities in active markets, 2) quoted prices for identical or similar assets or liabilities in inactive markets, 3) inputs other than quoted prices that are observable for the asset or liability, and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

In determining the fair value, the Plan generally uses the market approach. The market approach uses prices and other relevant data based on market transactions involving identical or comparable assets and liabilities.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

Mutual funds: Mutual funds held by the Plan are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. Except for the target retirement date funds, the mutual funds held by the Plan are part of unitized portfolios for which the NAV is calculated by dividing the sum of the value of the underlying funds comprising the portfolio by the outstanding units of the portfolio, representing Level 2 measurements. The values of the funds, including the target retirement date funds, are determined using the daily closing prices as reported by the funds. The mutual funds held by the Plan are deemed to be actively traded (Market approach).

NCI Stock Fund: Valued at the NAV of units of the fund. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund.

Common collective trusts: Valued at the NAV of units of the collective trust. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities (Market approach).

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

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NCI 401(k) Profit Sharing Plan
Notes to Financial Statements
December 31, 2016 and 2015

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2016 and 2015:

December
31,
2016