NVR INC
Form 11-K
June 27, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

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

For the fiscal year ended December 31, 2012

OR

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

For the transition period from _________ to _________

Commission File Number 1-12378

Profit Sharing Plan of NVR, Inc. and Affiliated Companies

(Full name of the Plan)

NVR, Inc.

11700 Plaza America Drive, Suite 500

Reston, Virginia 20190

(703) 956-4000

(Name of issuer of securities held pursuant to the Plan and the address and phone number of its principal executive offices)

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PROFIT SHARING PLAN OF NVR, INC.

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Report of Independent Registered Public Accounting Firm

Profit Sharing Committee

NVR, Inc and Affiliated Companies:

We have audited the accompanying statements of net assets available for plan benefits of the Profit Sharing Plan of NVR, Inc. and Affiliated Companies (the Plan) as of December 31, 2012 and 2011, and the related statement of changes in net assets available for plan benefits for the year ended December 31, 2012. These financial statements are the responsibility of the Plan s Administrator. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Plan s Administrator, as well as 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 plan benefits of the Profit Sharing Plan of NVR, Inc. and Affiliated Companies as of December 31, 2012 and 2011, and the changes in net assets available for plan benefits for the year ended December 31, 2012 in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule, Schedule H, line 4(i) schedule of assets (held at end of year) as of December 31, 2012, is presented for the purpose of additional analysis and is not a required part of the basic 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. This supplemental schedule is the responsibility of the Plan s Administrator. This supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

McLean, Virginia
June 27, 2013

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PROFIT SHARING PLAN OF NVR, INC.

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Statements of Net Assets Available for Plan Benefits

(in thousands)

	December 31, 2012	December 31, 2011
Assets		
Investments:		
Plan interest in master trust, at fair value	$ 237,742	$ 207,256
Receivables:		
Loans to participants	4,959	4,980
Employee contributions	6	
Employer contributions	1	
Interest, dividends and other	2	1
Total receivables	4,968	4,981
Total assets	242,710	212,237
Liabilities		
Due to participants	114	205
Total liabilities	114	205
Net assets reflecting all investments at fair value	242,596	212,032
Adjustments from fair value to contract value for fully benefit-responsive investment contracts	(589)	(488)
Net assets available for plan benefits	$ 242,007	$ 211,544

See accompanying notes to financial statements.

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Statement of Changes in Net Assets Available for Plan Benefits

For the Year Ended December 31, 2012

(in thousands)

Additions to net assets attributable to:	
Participation in investment income of master trust:	
Net appreciation in fair value of investments	$ 33,279
Interest and dividends	4,517
	37,796
Contributions:	
Employee	12,767
Employer	1,084
Rollovers	793
	14,644
Total additions	52,440
Deductions from net assets attributable to:	
Benefits paid to participants	(21,957)
Administrative expenses	(20)
Total deductions	(21,977)
Net increase in assets available for plan benefits	30,463
Net assets available for plan benefits at beginning of year	211,544
Net assets available for plan benefits at end of year	$ 242,007

See accompanying notes to financial statements.

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PROFIT SHARING PLAN OF NVR, INC.

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Notes to Financial Statements

December 31, 2012 and 2011

(dollars in thousands)

1. Description of Plan and Benefits

The following description of the Profit Sharing Plan of NVR, Inc. and Affiliated Companies (the Plan or PSP) 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, profit-sharing retirement plan, and covers substantially all employees of NVR, Inc. and its affiliated companies (NVR or the Company). The Plan is administered by a Profit Sharing Committee (the Plan Administrator), which is designated by the Board of Directors of NVR, Inc. (the Board). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The Plan Year begins each January 1st and ends each December 31st.

Employee Eligibility

All full-time and part-time employees are eligible to participate in the Plan immediately upon employment. The Plan excludes any employee covered by a collective bargaining agreement negotiated in good faith with the Company and leased employees.

Contributions

The Plan provides for eligible Plan participants to make voluntary salary deferral contributions (VSDC) from 1% to 13% of their current salary on a combined pre-tax and post-tax basis into the Plan for investment. All investment funds provided in the Plan are available for employee VSDC. A participant s pre-tax deferral was limited to a maximum contribution of $17.0 and $16.5 during 2012 and 2011, respectively. Participants who reached age 50 or older before the close of the calendar year and have deferred the maximum amount allowed under the Plan, have the option to make additional pre-tax salary deferrals. The maximum catch-up contribution for both 2012 and 2011 was $5.5. Participants may change their salary deferral percentages periodically, but participants generally cannot withdraw fund balances before termination, retirement, death or total permanent disability unless certain hardship conditions exist.

In accordance with the Plan, the Company may declare a program of matching contributions. In 2012 and 2011, the Company matched up to the first five hundred dollars of individual participants VSDC. NVR contributed $1,084 and $999 in matching contributions during 2012 and 2011, respectively. Matching contributions are invested in participant s accounts in the Plan as directed by participants.

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Vesting and Forfeitures

Employees vest in Company matching contributions at the rate of 20% per year beginning with the completion of the second year of service. Full vesting is also attained upon an employee s termination on account of death or total disability, or upon reaching normal retirement age. Participants are fully vested at all times in their VSDC account balances. Forfeitures of unvested amounts relating to terminated employees are allocated annually to all eligible active participants in the Plan as of December 31, based upon the proportion that the participant s compensation for that Plan Year bears to the total compensation received for such year by all participants sharing in the allocation, subject to the annual addition limitation and nondiscrimination requirement imposed under the Internal Revenue Code. Forfeitures of $101 and $90 in 2012 and 2011, respectively, were allocated to participant accounts in 2013 and 2012, respectively.

Investment Options

The Company selects the number and type of investment options available. The Plan s recordkeeper (Recordkeeper) is responsible for maintaining an account balance for each participant. Each participant instructs the Recordkeeper how to allocate their account balances. The Recordkeeper values account balances daily. Each investment fund s income and expenses are allocated to participant accounts daily in relation to their respective account balances. Each account balance is based on the value of the underlying investments in each account. Generally, participants may elect to change how future contributions are allocated or may transfer current account balances among investment options.

Payments of Benefits

Depending on various provisions and restrictions of the Plan, the method of benefit payment can be in the form of a lump-sum distribution or based on a deferred payment schedule. Amounts remaining in the Plan as a result of deferred payments are subject to daily fluctuations in value based on the underlying investments in each account.

Participant Loans

Loans are made available to all participants on a nondiscriminatory basis in accordance with the specific provisions set forth in the Plan. The amount of a loan generally cannot exceed the lesser of $50 or one-half of a participant s total vested account balance as of the loan origination date. Generally, a loan bears interest at a fixed rate which is determined by the Profit Sharing Trust Committee. Such rate was prime plus 1% set at the date of loan origination for Plan Years 2012 and 2011. All loans are subject to specific repayment terms and are secured by the participant s nonforfeitable interest in his/her account equivalent to the principal amount of the loan. Participants must pay any outstanding loans in full upon termination of service with the Company. Loans not repaid within the timeframe specified by the Plan subsequent to termination are considered to be in default and treated as a distribution to the terminated participant. Participant loans are recorded at unpaid principal plus accrued interest.

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(dollars in thousands)

Administrative Expenses

Loan origination fees and trustee fees are paid by the Plan. All other administrative expenses are paid directly by the Company.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Investment Income

Interest income from investments is recorded on the accrual basis of accounting. Dividend income is recorded on the ex-dividend date. Investment transactions are accounted for on a trade-date basis. Realized gains and losses on sales of investments are based on the change in market values from the investment transactions acquisition dates.

Investment Valuation and Transactions

All investments are carried at fair value except for fully benefit-responsive investment contracts. Under accounting standards generally accepted in the United States of America (GAAP), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for plan benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Statement of Net Assets Available for Plan Benefits adjusts the value of the investment contract from fair value to contract value.

Net unrealized appreciation and depreciation is measured and recognized in the Statement of Changes in Net Assets Available for Plan Benefits as the difference between the fair value of investments remeasured at the financial statement date and the fair value at the beginning of the Plan Year or the original measurement at the investment purchase date if purchased during the Plan Year. Purchase and sale transactions are recorded on a trade-date basis.

New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* ASU 2011-04 provides clarifying guidance on fair value measurement, including changing a particular principle in ASC 820. The new guidance also expands existing fair value disclosure requirements regarding transfers between Level 1 and Level 2 as well as additional disclosure for financial instruments classified as Level 3. In addition, ASU 2011-04 requires disclosure of fair value levels for financial instruments that are not recorded at fair value but for which fair value is required to be disclosed. The Plan adopted ASU 2011-04 effective January 1, 2012 with prospective application. The adoption by the Plan did not have a material effect on the Plan s financial statements.

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Fair Value Measurements

Accounting Standard Codification (ASC) Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes a fair value hierarchy for those instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and the Plan s assumptions (unobservable inputs). The hierarchy consists of three levels:

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

Investments in registered investment companies, shares of the Company s common stock, other common and preferred stock and cash are valued using quoted prices in active markets.

Level 2 Inputs other than Level 1 inputs that are either directly or indirectly observable.

Investments in a common collective trust (the Fidelity Managed Income Portfolio or the Fund) are valued using the net asset value (NAV) provided by the trustee. The NAV is quoted in a private market, and is based on the fair value of the underlying assets owned by the Fund, which are predominantly traded in an active market. These investments are redeemable with the Fund at contract value under the Fund s terms of operations. It is possible that these redemption rights may be restricted by the Fund in the future in accordance with the terms. Due to the nature of the investments held by the Fund, changes in market conditions and the economic environment may significantly impact the net asset value of the Fund, and the Plan s interest in the Fund.

The Plan also holds other assets and liabilities not measured at fair value, but for which fair value is required to be disclosed, including loans to participants and amounts due to participants. The fair value of these assets and liabilities approximates the carrying amounts in the accompanying financial statements due to either the short-term maturity of the instruments or because stated interest rates approximate market rates for instruments with similar terms and characteristics. Under the fair value hierarchy, these financial instruments are valued primarily using Level 2 inputs.

Level 3 Unobservable inputs developed using estimates and assumptions developed by the Plan, which reflect those a market participant would use.

The Plan has no investments valued using Level 3 inputs.

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(dollars in thousands)

The following table presents the financial instruments the Plan measured at fair value on a recurring basis, based on the fair value hierarchy as of December 31, 2012:

	Basis of Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Fair Value Measurements:				
Investments in Registered Investment Companies:				
Domestic Equities - Small Cap	$ 8,433	$	$	$ 8,433
Domestic Equities - Mid Cap	16,160			16,160
Domestic Equities - Large Cap	68,833			68,833
International Equities	13,480			13,480
Life Cycle/Target Date Funds	32,683			32,683
Bond Funds	8,158			8,158
Subtotal	147,747			147,747
NVR, Inc. Common Stock	64,458			64,458
Investments in Common Collective Trusts		20,578		20,578
Other Common and Preferred Stock	3,197			3,197
Cash	1,762			1,762
Total	$ 217,164	$ 20,578	$	$ 237,742

The following table presents the financial instruments the Plan measures at fair value on a recurring basis, based on the fair value hierarchy as of December 31, 2011:

	Basis of Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Fair Value Measurements:				
Investments in Registered Investment Companies:				
Domestic Equities - Small Cap	$ 7,180	$	$	$ 7,180
Domestic Equities - Mid Cap	14,288			14,288
Domestic Equities - Large Cap	61,820			61,820
International Equities	11,490			11,490
Life Cycle/Target Date Funds	28,071			28,071
Bond Funds	6,420			6,420
Subtotal	129,269			129,269
NVR, Inc. Common Stock	53,610			53,610
Investments in Common Collective Trusts		19,789		19,789

Other Common and Preferred Stock	2,815			2,815
Cash	1,773			1,773
Total	$ 187,467	$ 19,789	$	$ 207,256

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Payments of Benefits

Benefits are recorded as deductions when paid. At December 31, 2012 and 2011, refunds of $114 and $205, respectively, were due to participants for excess contributions made during the Plan Year and are reflected as a reduction of employee contributions in the Statement of Changes in Net Assets Available for Plan Benefits and in the Due to participants line item on the Statement of Net Assets Available for Plan Benefits.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of Plan activity during the reporting period. Accordingly, actual results may differ from those estimates.

3. Investments

The investments of the Plan are maintained in a master trust with the investments of the NVR, Inc. Employee Stock Ownership Plan (ESOP). The Plan s share of changes in the master trust and the value of the master trust have been reported to the Plan by the trustee as having been determined through the use of fair values for all investments, except for fully benefit-responsive investment contracts which are adjusted from fair value to contract value. See footnote 2 for further discussion of fully benefit-responsive investment contracts. The undivided interest of each Plan in the master trust is increased or decreased (as the case may be) (i) for the entire amount of every contribution received on behalf of the Plan, every benefit payment, or other expense attributable solely to such Plan, and every other transaction relating only to such Plan; and (ii) for accrued income, gain or loss, and administrative expense attributable solely to such Plan. The Plan s interest in the master trust was approximately 41% and 43% as of December 31, 2012 and 2011, respectively.

The following table presents the investments in the master trust at fair value for all investments, except for fully benefit-responsive investment contracts which are presented at contract value:

	December 31,	
	2012	**2011**
NVR, Inc. Common Stock	$ 353,713	$