MERIT MEDICAL SYSTEMS INC
Form 11-K
June 28, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)
x Annual Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2011

OR

o Transition Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File Number: 000-18592

Full title of the plan and name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

MERIT MEDICAL SYSTEMS, INC. 401(k) PROFIT SHARING PLAN

Merit Medical Systems, Inc.
1600 West Merit Parkway
South Jordan, UT 84095

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MERIT MEDICAL SYSTEMS, INC. 401(k) PROFIT SHARING PLAN

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NOTE: All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Participants of
Merit Medical Systems, Inc. 401(k) Profit Sharing Plan
South Jordan, Utah

We have audited the accompanying statements of net assets available for benefits of the Merit Medical Systems, Inc. 401(k) Profit Sharing Plan (the "Plan") as of December 31, 2011 and 2010, and the related statement of changes in net assets available for benefits 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 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. The Plan is not required to have, nor were we engaged to perform, an audit of its 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2011 and 2010, and the changes in net assets available for benefits for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of (1) delinquent participant contributions for the year ended December 31, 2011 and (2) assets (held at end of year) as of December 31, 2011, are presented for the purpose of additional analysis and is not a required part of the basic financial statements, but are 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. These schedules are the responsibility of the Plan's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic 2011 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ DELOITTE & TOUCHE LLP

Salt Lake City, Utah
June 28, 2012

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MERIT MEDICAL SYSTEMS, INC. 401(k) PROFIT SHARING PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS:		
Cash	$16,253	$103,749
Investments - at fair value	49,590,688	45,686,182
Receivables:		
Notes receivable from participants	2,002,847	1,910,033
Employer contributions	144,636	106,291
Participant contributions	177,515	—
Total receivables	2,324,998	2,016,324
Total assets	51,931,939	47,806,255
LIABILITIES:		
Accounts payable	7,038	224,386
Total liabilities	7,038	224,386
NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE	51,924,901	47,581,869
ADJUSTMENT FROM FAIR VALUE TO CONTRACT VALUE FOR COMMON COLLECTIVE TRUST	(65,358)	(36,319)
NET ASSETS AVAILABLE FOR BENEFITS	$51,859,543	$47,545,550

See notes to financial statements.

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MERIT MEDICAL SYSTEMS, INC. 401(k) PROFIT SHARING PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2011

CONTRIBUTIONS:	
Employer contributions	$1,288,099
Participant contributions	3,869,196
Rollover contributions	959,398
Total contributions	6,116,693
INVESTMENT INCOME:	
Net appreciation in fair value of investments	26
Interest and dividends	260
Net investment income	286
Interest income on notes receivable from participants	79,538
DEDUCTIONS:	
Benefits paid to participants	(1,830,138)
Administrative expenses	(52,386)
Total deductions	(1,882,524)
INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	4,313,993
NET ASSETS AVAILABLE FOR BENEFITS:	
Beginning of year	47,545,550
End of year	$51,859,543

See notes to financial statements.

MERIT MEDICAL SYSTEMS, INC. 401(k) PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2011 AND 2010, AND FOR THE YEAR ENDED DECEMBER 31, 2011

1. DESCRIPTION OF THE PLAN

The following description of the Merit Medical Systems, Inc. 401(k) Profit Sharing Plan (the "Plan") is provided for general information purposes only. Reference should be made to the Plan document for more complete information.

General — The Plan is a defined contribution plan covering substantially all employees who have completed 90 days of service of Merit Medical Systems, Inc. (the "Company"). The Plan is administered by a trustee who has been appointed by the board of directors of the Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Contributions — Each year, participants may contribute up to 100% of their pretax annual compensation, as defined in the Plan, subject to certain Internal Revenue Code ("IRC") limitations. The Company contributes, on a discretionary basis, 75% of the first 2%, and 25% of the next 3% of base compensation that a participant contributes to the Plan.

Participant Accounts — Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contribution, the Company's matching contribution, and Plan earnings, and charged with withdrawals and an allocation of Plan losses and administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Investments — Participants direct the investment of their contributions and Company contributions into various investment options offered by the Plan.

Vesting — Participants are vested immediately in their contributions, plus actual earnings thereon. Vesting in the Company's contribution portion of their accounts is based on years of continuous service. A participant vests 20% a year of credited service and is 100% vested after five years of credited service.

Participant Loans — Participants may borrow from their accounts up to a maximum of $50,000 or 50% of their account balance, whichever is less. The loans are secured by the balance in the participant's account and bear interest at rates commensurate with local prevailing rates at the time funds are borrowed as determined quarterly by the Plan administrator. Principal and interest are paid ratably through payroll deductions.

Payment of Benefits — On termination of service due to death, disability or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account or annual installments over a ten-year period. For termination of service for other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution.

Forfeited Accounts — At December 31, 2011 and 2010, forfeited nonvested accounts totaled $49,205 and $19,335, respectively. These accounts may be used to reduce future employer contributions. During the year ended December 31, 2011, forfeited nonvested accounts totaling $19,335 were used to reduce employer contributions.

Administrative Expenses — Administrative expenses of the Plan are paid by the Company as provided in the Plan document.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates — The preparation of financial statements in conformity with GAAP requires Plan management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates.

Risk and Uncertainties — The Plan utilizes various investment instruments, including mutual funds, common stock, a common collective trust, self-directed brokerage accounts, and interest bearing cash funds. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. 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

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that such changes could materially affect the amounts reported in the financial statements.

Benefit-Responsive Investment Contracts — As described in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 962, Plan Accounting—Defined Contribution Pension Plans, fully benefit-responsive 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 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 Plan invests in investment contracts through a collective trust in the Morley Stable Value (“MSV”) Fund. As required under ASC 962, the statements of net assets available for benefits presents the investment in the collective trust at fair value with an offsetting adjustment which, when netted against the fair value, will equal contract value. The weighted average yield of the underlying investments in the MSV Fund for the year ended December 31, 2011, was .44%.

Payment of Benefits — Benefit payments to participants are recorded upon distribution. There were no amounts allocated to accounts of persons who have elected to withdraw from the Plan but have not yet been paid at December 31, 2011 and 2010.

Excess Contributions Payable — The Plan is required to return contributions received during the Plan year in excess of IRC limits. There were no excess contributions payable at December 31, 2011 and 2010.

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. The Company’s common stock is valued at the closing price reported on the NASDAQ Stock Exchange in the last business day of the plan year. Interest bearing cash funds are stated at amortized cost, which approximates fair value. Shares of mutual funds are valued at the net asset value of shares held by the Plan at year end. The underlying investments within self-directed brokerage accounts are valued at quoted market prices. The common collective trust is stated at fair value and then adjusted to contract value as described above. Fair value of the common collective trust is the net asset value of its underlying investments, and contract value is principal plus accrued interest. The common collective trust generally permits redemptions daily and there are no unfunded commitments by the Plan related to this investment. The Plan is permitted to redeem investment units at the net asset value on the measurement date, and as a result, the investment is classified as a Level 2 asset in the fair value hierarchy.

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.

Management fees and operating expenses charged to the Plan for investments in mutual funds and the common collective trust are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment return for such investments.

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 recorded as distributions based on the terms of the Plan document.

Recent Accounting Pronouncements — In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, Fair Value Measurements and Disclosures, which amends ASC 820, Fair Value Measurements and Disclosures, adding a new disclosure requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis. This requirement is effective for fiscal years beginning after December 15, 2010. The adoption in 2011 did not materially affect the Plan's financial statements.

In May 2011, the FASB issued ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, which amends ASC 820. ASU 2011-04 also 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, the ASU 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 ASU 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 15, 2011. The adoption will not have a material effect on the statement of net assets available for benefits and statement of changes in net assets available for benefits. Plan management has not determined the impact on the disclosures in the financial statements.

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3. FAIR VALUE MEASUREMENTS

The fair values of investments are classified based on the lowest level of any input that is significant to the fair value measurement. The Plan used the following methods to determine fair value:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Plan has the ability to access on the report date.

Level 2 — Inputs (financial matrices, models, valuation techniques), other than quoted market prices included in Level 1, that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs (such as professional appraisals, quoted prices from inactive markets that require adjustment based on significant assumptions or data that is not current, data from independent sources) that are unobservable for the asset or liability.

The methods described may produce a fair value calculation 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.The Plan's policy is to recognize significant transfers between levels at the actual date of the event.

The following table provides the amounts and their corresponding level of hierarchy for the Plan’s investments that are measured at fair value on a recurring basis as of December 31, 2011:

Description	Level 1	Level 2	Level 3	Total
Interest bearing cash	$2,138,352	$—	$—	$2,138,352
Mutual funds:				
Intermediate Investments Grade	4,965,698			4,965,698
Large-Cap Growth Funds	2,160,877			2,160,877
Small-Cap Growth Funds	1,847,253			1,847,253
Multi-Sector Income Fund	1,654,814			1,654,814
Large Cap Core Funds	1,633,410			1,633,410
Large-Cap Value Funds	1,595,809			1,595,809
International Large-Cap Core	1,576,487			1,576,487
SmallCap Core Funds	1,437,697			1,437,697
Mid-Cap Value	1,267,188			1,267,188
Pacific Ex Japan Funds	1,252,620			1,252,620
Global Natural Resources Funds	1,209,496			1,209,496
S&P 500 Index Objective Funds	1,142,762			1,142,762
Emerging Markets Funds	1,018,433			1,018,433
Mid-Cap Core Funds	1,012,542			1,012,542
International Multi-Cap Growth	865,979			865,979
Treasury Inflated Protected Securities	783,990			783,990
Real Estate Fund	776,161			776,161
Global Small-/Mid-Cap Funds	773,633			773,633
Gold Oriented Funds	624,249			624,249
International Multi-Cap Core	444,124			444,124

Multi-Cap Core Funds	254,344			254,344
Global Science /Technology Funds	223,887			223,887
Common collective trust		2,580,894		2,580,894
Self-directed brokerage accounts:				
Interest bearing cash	884,594			884,594
Merit Medical Systems, Inc. common stock *	451,789			451,789
Other equity securities (primarily common stock)	957,862			957,862
Other	269,407			269,407
Merit Medical Systems, Inc. common stock	13,786,337			13,786,337
Investments — at fair value	$47,009,794	$2,580,894	$—	$49,590,688

* Represents a party-in-interest to the Plan.

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For the years ended December 31, 2011 and 2010, there were no transfers in or out of Levels 1, 2 or 3.

The following table provides the amounts and their corresponding level of hierarchy for the Plan's investments that are measured at fair value on a recurring basis as of December 31, 2010:

Description	Level 1	Level 2	Level 3	Total
Interest bearing cash	$2,258,582	$—	$—	$2,258,582
Mutual funds:				
Intermediate Investments Grade	5,020,843			5,020,843
Large-Cap Growth Funds	2,039,596			2,039,596
Treasury Inflated Protected Securities	1,904,642			1,904,642
Small-Cap Growth Funds	1,592,194			1,592,194
International Large-Cap Core	1,592,103			1,592,103
Mid-Cap Value	1,494,922			1,494,922
Small-Cap Core Funds	1,439,182			1,439,182
Large-Cap Core Funds	1,430,959			1,430,959
Emerging Markets Funds	1,363,222			1,363,222
Large-Cap Value Funds	1,339,418			1,339,418
Mid-Cap Core Funds	1,298,324			1,298,324
Global Natural Resources Funds	1,190,075			1,190,075
S&P 500 Index Objective Funds	1,100,054			1,100,054
International Multi-Cap Growth	1,090,098			1,090,098
Pacific Ex Japan Funds	946,065			946,065
Global Small-/Mid-Cap Funds	819,228			819,228
Global Oriented Funds				