RISK GEORGE INDUSTRIES INC
Form 10-K
July 29, 2010

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended April 30, 2010
[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to _________

Commission File Number: 000-05378

George Risk Industries, Inc.
(Exact Name of registrant as specified in its charter)

Colorado	84-0524756
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
802 South Elm Kimball, NE	69145
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number (308) 235-4645

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
None	None

Securities registered under Section 12(g) of the Act:
Class A Common Stock, $.10 par value
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Sections 15(d) of the Act.

Yes [ ] No [X]

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 229-405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [ ] No [X]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229-405 of this chapter) is not contained herein, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	[ ]	Accelerated filer	[ ]
Non-accelerated filer	[ ]	Smaller reporting company	[X]
(Do not check is smaller reporting company)			

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.

Yes [ ] No [X]

The aggregate market value, as of July 27, 2010, of the common stock (based on the average of the bid and asked prices of the shares on the OCTBB of George Risk Industries, Inc.) held by non-affiliates (assuming, for this purpose, that all directors, officers and owners of 5% or more of the registrant's common stock are deemed affiliates) was approximately $8,999,456.

The number of outstanding shares of the common stock as of July 27, 2010 was 5,063,455.

DOCUMENTS INCORPORATED BY REFERENCE
None.

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Part I

Preliminary Note Regarding Forward-Looking Statements and Currency Disclosure

This annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors", that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States dollars, rounded to the nearest thousand, and are prepared in accordance with United States Generally Accepted Accounting Principles.

Item 1 Business

(a) Business Development

George Risk Industries, Inc. (GRI or the company) was incorporated in 1967 in Colorado. The company is presently engaged in the design, manufacture, and sale of computer keyboards, push button switches, burglar alarm components and systems, pool alarms, thermostats, EZ Duct wire covers and water sensors.

Products, Market, and Distribution

The company designs, manufactures, and sells computer keyboards, push-button switches, burglar alarm components and systems, pool alarms, and water sensors. Our security burglar alarm products comprise approximately 87 percent of net revenues and are sold through distributors and private board customers.

The security segment has approximately 4,000 customers. One of the distributors accounts for approximately 43 percent of the company's sales of these products. Loss of this distributor would be significant to the company. However, this customer has purchased from the company for many years and is expected to continue.

The keyboard segment has approximately 950 customers. Keyboard products are sold to original equipment manufacturers to their specifications and to distributors of off-the-shelf keyboards of proprietary design.

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Competition

The company has intense competition in the keyboard and burglar alarm lines.

The burglar alarm segment has five or six major competitors. The company competes well based on price, product design, quality, and prompt delivery.

The competitors in the keyboard segment are larger companies with automated production facilities. GRI has emphasized small custom order sales that many of its competitors decline or discourage.

Research and Development

The company performs research and development for its customers when needed and requested. Costs in connection with such product development have been borne by the customers. Costs associated with the development of new products are expensed as incurred.

Employees

GRI has approximately 150 employees.

Item 2 Properties

The company owns the manufacturing and some of the office facilities. Total square footage of the plant in Kimball, Nebraska is approximately 42,500 sq. ft. Additionally, the company leases 15,000 square feet for $1,535 per month with Ken and Bonnie Risk. Ken Risk is the CEO and chairman of the board of the company.

As of October 1, 1996, the company also began operating a satellite plant in Gering, NE. This expansion was done in coordination with Twin Cities Development. The company leased manufacturing facilities until July 2005. During the first quarter of fiscal year end 2006, the company purchased a building that is 7,200-sq. ft. in size. Currently, there are 24 employees at the Gering site.

Item 3 Legal Proceedings
None.

Item 4 Submission of Matters to a Vote of Security Holders
Not applicable.

Part II

Item 5 Market for the Registrant's Common Equity and Related Stockholders' Matter

Principal Market

The company's Class A Common Stock, which is traded under the ticker symbal RSKIA, is currently quoted on the OTC Bulletin Board by eight market makers.

Stock Prices and Dividends Information

2010 Fiscal Year	High	Low
May 1-July 31	5.00	3.45
August 1-October 31	5.05	4.01
November 1-January 31	4.75	4.10
February 1-April 30	5.00	4.25

2009 Fiscal Year

	High	Low
May 1-July 31	7.00	5.00
August 1-October 31	6.00	4.25
November 1-January 31	5.23	2.91
February 1-April 30	3.95	3.25

A dividend of $0.17 per common share was declared on September 30, 2009. This was the only dividend declared and paid during the 2010 fiscal year. As for fiscal year 2009, a dividend of $0.17 per common share was declared on September 30, 2008.

The number of holders of record of the company's Class A Common Stock as of April 30, 2010, was approximately 1,300.

Item 6 Selected Financial Data

As a smaller reporting company, we are not required to respond to this item.

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Overview

George Risk Industries, Inc. (GRI) is a diversified manufacturer of electronic components, encompassing the security industries widest variety of door and window contact switches, environmental products, proximity switches and custom keyboards. The security products division comprises the largest portion of GRI sales and are sold worldwide through distribution, who in turn sell our products to security installing companies. These products are used for residential, commercial, industrial and government installations. International sales accounted for approximately 5.0% of revenues for fiscal year 2010 and 9.1% for 2009.

GRI is known for its quality American made products, top-notch customer service and the willingness to work with customers on their special applications.

GRI owns and operates its main manufacturing plant and offices in Kimball, Nebraska with a satellite plant 40 miles away in Gering, Nebraska.

Management is always open to the possibility of acquiring a business that would complement our existing operations. This would probably not require any outside financing. The intent would be to utilize the equipment, marketing techniques and established customers to increase sales and profits.

There are no known seasonal trends with any of GRI's products, since we mostly sell to distributors and OEM manufacturers. The products are tied to the housing industry and will fluctuate with building trends.

Liquidity and Capital Resources

Operating
Net cash decreased $1,030,000 during the year ended April 30, 2010 while it increased $599,000 during the year ended April 30, 2009. Other cash flow changes are as follows. Accounts receivable increased $5,000 during the current year as compared to a $299,000 decrease for last year. The slight increase in cash flow for accounts receivable is a reflection that sales are trending to be on the rise. At April 30, 2010, 80.05% of the receivables were considered current (less than 45 days) and 6.03% of the total were over 90 days past due. For comparison, 83.5% of the receivables were current and 6.25% were past 90 days at April 30, 2009. Inventories decreased $732,000 for the current year as compared to a $336,000 decrease for the same period last year. Management has continued the trend of decreasing its purchases of raw materials in the current fiscal year to correspond to the decrease in sales. For the year ended April 30, 2010, prepaid expenses increased $62,000, and there was decrease of $22,000 for the corresponding period last year. The main reason for the increase in prepaid expenses for the current fiscal year is that the company has prepaid for raw materials that are coming from overseas. For the last two fiscal years, there have been income tax overpayments. There was a $79,000 increase in cash towards income tax overpayment for the year ending April 30, 2010. And there was a $334,000 decrease in cash towards income tax overpayment for the year ending April 30, 2009. Management paid income tax estimates based on what taxable income was estimated to be. And since there is an increase in taxable income, one can expect an increase in income taxes paid.

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For the year ended April 30, 2010, accounts payable increased $22,000 as compared to a $32,000 decrease for the same period the year before. The change in cash in regards to accounts payable can vary. It really depends on the time of the month the invoices are due, since the company pays all its invoices within the terms. Accrued expenses decreased by $108,000 for the year ended April 30, 2010, and these expenses also decreased $15,000 for the corresponding year ended April 30, 2009.

Investing
As for our investment activities, $98,000 was spent on purchases of property and equipment during the current fiscal year and $143,000 was spent during the year ended April 30, 2009. Additionally, the Company continues to purchase marketable securities, which include municipal bonds and quality stocks. Cash spent on purchases of marketable securities for the year ended April 30, 2010 was $2,748,000 and $1,296,000 was spent for the corresponding period last year. In addition, proceeds from the sale of marketable securities for the year ended April 30, 2010 were $747,000 and $260,000 for the same period last year. We use "money manager" accounts for most stock transactions. By doing this, the Company gives an independent third party firm, who are experts in this field, permission to buy and sell stocks at will. The Company pays a quarterly service fee based on the value of the investments. There was some reorganizing of Money Manager accounts in the second quarter that will hopefully be beneficial to the Company. Also, $2 million was moved from a money market account into several certificates of deposits in order to be covered more fully by FDIC insurance. Unfortunately, all of these CDs have matured as of the date of this report and management has not found a worthy place to invest this money, so it is sitting

in cash at this time. Furthermore, the Company continues to purchase back its common stock when the opportunity arises. For the year ended April 30, 2010, the Company purchased $263,000 worth of treasury stock and $171,000 worth was bought back for the year ended April 30, 2009. We have been actively searching for stockholders that have been "lost" over the years. The payment of dividends over the last five fiscal years has also prompted many stockholders and/or their relatives and descendants to sell back their stock to the Company.

Financing

Cash flows from financing activities were $780,000 for the year ended April 30, 2010, which $785,000 of that amount was for dividends payments. The company declared a dividend of $0.17 per share of common stock on September 30, 2009 and these dividends were paid by October 31, 2009. Net cash used in financing activities was $802,000 for the year ended April 30, 2009. A dividend of $0.17 per common share was also declared and paid during the second fiscal quarter last year.

Results of Operations

GRI completed the fiscal year ending April 30, 2010, with a net profit of 19.72% net of sales. Net sales were at $7,821,000, down 11.35% over the previous year. Additionally, net income for the year ended April 30, 2009 was $1,542,000, up 198.84% from the prior year.

Although sales were down for the fiscal year ending April 30, 2010 we expect sales to stay steady and increase for the fiscal year ending April 30, 2011. The company's main division of products that are sold (security switches) are directly tied to the housing industry. And since the housing industry has been performing poorly, the company's sales have decreased in relation to the economy. We are always researching and developing new products that will help our sales increase. We have many new products (which will be discussed in detail below) that we are planning to release into the marketplace during fiscal year end 2011. Also, we are hopeful that extra growth can be achieved by volume increases with our present customers and with the addition of new customers. We have an excellent marketing department that is always on the lookout for new clients.

The costs of goods sold expenses stayed very consistent between this year and last year. For the year ended April 30, 2010, the cost of goods sold percentage was at 55.29% of net sales. This is an increase of 2.63% when comparing to fiscal year end 2009. We look for quality materials at the best possible price. We are overstocked on some raw materials due to a slow down in sales, and purchases that we were not able to delay vendor delivery times. We hire the number of production workers expected to finish products in a timely manner. As a result of reduced sales, management has implemented a temporary period of voluntary and mandatory days off to reduce labor costs. With these continued good practices, we expect to continue to achieve a gross profit margin of about 50 percent for the coming year.

At April 30, 2010, working capital decreased by 5.7% in comparison to the previous fiscal year. The company measures liquidity using the quick ratio, which is the ratio of cash, securities and accounts receivables to current obligations. The company's quick ratio increased to 37.758 for the year ended April 30, 2010 from 32.878 for the year ended April 30, 2009. Marketable securities have increased in the current year, while current liabilities increase slightly from year to year. At April 30, 2010, the biggest long-term liability on the books is deferred income taxes of $75,000.

New product development

The new HD-1 Hold-Up Switch is now in production. The HD-1 requires no key to reset, is jumper selectable for latching or non-latching. It is tamper resistant and can be incorporated into an end-of-line resistor. Engineering is currently working with our international representative on a modified version for the European market.

Mold design is currently being completed on a miniature surface mount contact switch with terminal blocks. Customers have been requesting this design for some time now. This switch will be the company's smallest surface mount terminal switch.

The Company has added to its top selling plastic molded wire covers line (EZ Duct Raceway). The new Quarter Round, as its name implies, has rounded edges and is esthetically pleasing along wall lines and base boards. This will be packaged in six, 6' sticks per bag. The Quarter Round connecting pieces, which are for splices and corners, will be added to the product line soon.

Engineering continues work on the wireless swimming pool alarm design, along with other wireless items, a garage door monitor, a pump guard watering station and a high security contact switch.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in conformity with generally accepted accounting principals in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in those financial statements. These judgments can be subjective and complex, and consequently actual results could differ from those estimates. Our most critical accounting policies relate to accounts receivable; marketable securities; inventory; income taxes; and segment reporting.

Accounts Receivable-Accounts receivable are customer obligations due under normal trade terms. The company sells its products to security alarm distributors, alarm installers, and original equipment manufacturers. Management performs continuing credit evaluations of its customers' financial condition and the company generally does not require collateral.

The company records an allowance for doubtful accounts based on an analysis of specifically identified customer balances. The company has a limited number of customers with individually large amounts due at any given date. Any unantici- pated change in any one of these customers' credit worthiness or other matters affecting the collectibility of amounts due from such customers could have a material effect on the results of operations in the period in which such changes or events occur. After all attempts to collect a receivable have failed, the receivable is written off.

Marketable securities-The Company has investments in publicly traded equity securities as well as certain state and municipal debt securities. These securities are classified as available-for-sale securities, and are reported at fair value. The Company uses the average cost method to determine the cost of securities sold and the amount reclassified out of accumulated other comprehensive income into earnings. Unrealized gains and losses are excluded from earnings and reported separately as a component of stockholder's equity.

Dividend and interest income are reported as earned.

In accordance with the Generally Accepted Accounting Principles in the United States (US GAAP), the Company evaluates all marketable securities for other-than temporary declines in fair value. When the cost basis exceeds the fair market value for approximately one year, management evaluates the nature of the investment, cause of impairment and number of investments that are in an unrealized position. When it is determined that a security will probably remain impaired, a recognized loss is booked and the investment is written down to its new fair value. The investments are periodically evaluated to determine if impairment changes are required.

Inventories-Inventories are valued at the lower of cost or market value. Costs are determined using the average cost-pricing method. The company uses standard costs to price its manufactured inventories, approximating average costs. The reported net value of inventory includes finished saleable products, work-in-process and raw materials that will be sold or used in future periods. Inventory costs include raw materials, direct labor and overhead. The Company's overhead expenses are applied based, in part, upon estimates of the proportion of those expenses that are related to procuring and storing raw materials as compared to the manufacture and assembly of finished products. These proportions, the method of their application, and the resulting overhead included in ending inventory, are based in part on subjective estimates and approximations and actual results could differ from those estimates.

In addition, the Company records an inventory obsolescence reserve, which represents the cost of the inventory that has had no movement in over two years. There is inherent professional judgment and subjectivity made by management in determining the estimated obsolescence percentage. In addition, and as necessary, the Company may establish specific reserves for future known or anticipated events.

Income Taxes-US GAAP requires use of the liability method, whereby current and deferred tax assets and liabilities are determined based on tax rates and laws enacted as of the balance sheet date. Deferred tax expense represents the change in the deferred tax asset/liability balances.

Segment Reporting and Related Information-The Company designates the internal organization that is used by management for allocating resources and assessing performance as the source of the Company's reportable segments. US GAAP also requires disclosures about products and services, geographic area and major customers.

Related Party Transactions - The Company leases a building from Ken and Bonnie Risk. Ken Risk is the Chairman of the Board and President and CEO of the company. Bonnie Risk is Ken's wife, who is also an employee of the company. This building contains the Company's sales and accounting departments, maintenance department, engineering department and some production facilities. This lease requires a minimum payment of $1,535 on a month-to-month basis.The total lease expense for this arrangement was $18,420 for the fiscal years ended April 30, 2010 and 2009.

The company also leases its airplane from President and CEO Ken Risk, who is also a majority stockholder, on a month-to-month basis requiring payments of $2,250. Airplane lease expenses charged to operations for the fiscal years ended April 30, 2010 and 2009, were $27,000 for each year. During the year ended April 30, 2000, the Company paid $210,000 and the President/CEO contributed the airplane in trade for another airplane. The Company and this officer jointly own the newly purchased airplane, and will continue the lease on the officer's ownership of the plane.

One of the directors of the board, Joel Wiens, is the principal shareholder of FirsTier Bank. FirsTier Bank is the financial institution the company uses for its day to day banking operations. Year end balances of accounts held at this bank are $3,354,000 for the year ended April 30, 2010 and $4,616,000 for the year ended April 30, 2009. The Company also received interest income from FirsTier Bank in the amount of $31,000 for the year ended April 30, 2010 and $100,000 for the year ended April 30, 2009.

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Item 8 Financial Statements

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Report of Independent Registered Public Accounting Firm

Board of Directors
George Risk Industries, Inc.
Kimball, Nebraska

We have audited the accompanying balance sheets of George Risk Industries, Inc. as of April 30, 2010 and 2009, and the related statements of income, comprehensive income, stockholders' equity, and cash flows for the two years then ended. These financial statements are the responsibility of the company'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. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit 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 company's internal control over financial reporting. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of George Risk Industries, Inc. as of April 30, 2010 and 2009, and the results of their operations and their cash flows for the two years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Haynie & Company

Littleton, Colorado
July 28, 2010

George Risk Industries, Inc.
Balance Sheets
April 30, 2010 and 2009

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	$ 3,641,000	$ 4,671,000

Investments and securities	19,607,000	15,691,000
Accounts receivable:		
Trade, net of $19,700 and $7,492 doubtful account allowance for 2010 and 2009	1,295,000	1,272,000
Other	0	1,000
Note receivable, current	11,000	3,000
Income tax overpayment	216,000	137,000
Inventories	1,968,000	2,741,000
Prepaid expenses	142,000	81,000
Deferred current income taxes	266,000	1,127,000
Total Current Assets	$ 27,146,000	25,724,000
Property and Equipment, net, at cost	733,000	802,000
Other Assets		
Investment in Limited Land Partnership, at cost	200,000	200,000
Projects in process	112,000	68,000
Long-term receivable	0	40,000
Note receivable	7,000	9,000
Total Other Assets	$ 319,000	$ 317,000
TOTAL ASSETS	$ 28,198,000	$ 26,843,000