

Edgar Filing: RISK GEORGE INDUSTRIES INC - Form 10QSB

RISK GEORGE INDUSTRIES INC
Form 10QSB
September 13, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarter ended July 31, 2002

Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: 0-5378

GEORGE RISK INDUSTRIES, INC.
(Exact name of small business issuer as specified in its charter)

Colorado 84-0524756
(State of incorporation) (IRS Employers Identification No.)

802 South Elm St. 69145
Kimball, NE (Zip Code)
(Address of principal executive offices)

Registrant's telephone number, including area code: (308) 235-4645

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of shares of the Registrant's Common Stock outstanding, as of September 13, 2002 was 5,399,653.

Transitional Small Business Disclosure Format: Yes No

GEORGE RISK INDUSTRIES, INC.

PART I. FINANCIAL INFORMATION

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Item 1. Financial Statements

The unaudited financial statements for the three month period ended July 31, 2002, are attached hereto.

GEORGE RISK INDUSTRIES, INC.
BALANCE SHEET
JULY 31, 2002

ASSETS

Current Assets	
Cash and cash equivalents	\$ 1,765,000
Marketable securities (Note 2)	8,914,000
Accounts receivable:	
Trade, net of \$50,000 doubtful account allowance	1,504,000
Other	2,000
Notes receivable	2,000
Inventories (Note 3)	2,311,000
Prepaid expenses	75,000
Deferred income taxes	52,000

Total Current Assets	\$14,625,000
Property and Equipment, net at cost	\$ 1,023,000
Other Assets	
Projects in process	21,000
Other	2,000

Total Other Assets	\$ 23,000
TOTAL ASSETS	\$15,671,000 =====

GEORGE RISK INDUSTRIES, INC.
BALANCE SHEET
JULY 31, 2002

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	
Accounts payable, trade	\$ 106,000
Accrued expenses	
Payroll and related expenses	308,000
Property taxes	2,000
Notes payable, current	81,000
Income taxes payable	137,000

Total Current Liabilities	\$ 634,000
Long-Term Liabilities	
Notes payable	155,000

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Total Long-Term Liabilities	\$ 155,000
Stockholders' Equity	
Convertible preferred stock, 1,000,000 shares authorized, Series 1-noncumulative, \$20 stated value, 25,000 shares authorized, 5,350 issued and outstanding	107,000
Common stock, Class A, \$.10 par value, 10,000,000 shares authorized, 8,502,832 shares issued and outstanding	850,000
Additional paid-in capital	1,736,000
Accumulated other comprehensive income	(1,812,000)
Retained earnings	15,764,000
Less: cost of treasury stock, 3,103,179 shares, at cost	(1,763,000)
Total Stockholders' Equity	\$14,882,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$15,671,000

GEORGE RISK INDUSTRIES, INC.
INCOME STATEMENT
FOR THE THREE MONTHS ENDED

	July 31,	
	2002	2001
Net Sales	\$ 3,021,000	\$ 3,017,000
Less: cost of goods sold	(1,676,000)	(1,574,000)
Gross Profit	\$ 1,345,000	\$ 1,443,000
Operating Expenses:		
General and administrative	160,000	179,000
Selling	587,000	585,000
Engineering	17,000	13,000
Rent paid to related parties	15,000	15,000
Total Operating Expenses	\$ 779,000	\$ 792,000
Income From Operations	566,000	651,000
Other Income (Expense)		
Other	0	(11,000)
Dividend and interest income	83,000	73,000
Interest expense	0	0
Gain/(loss) on sale of investments	4,000	(117,000)
	\$ 87,000	\$ (55,000)
Income Before Provisions for Income Tax	653,000	596,000
Provisions for Income Tax	(272,000)	(248,000)
Net Income	\$ 381,000	\$ 348,000
Retained Earnings, beginning of period	\$15,383,000	\$13,526,000

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Retained Earnings, end of period	\$15,764,000	\$13,874,000
Income Per Share of Common Stock	\$.07	\$.06
Weighted Average Number of Common Shares Outstanding	5,399,653	5,717,403

GEORGE RISK INDUSTRIES, INC.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED

	July 31,	
	2002	2001
	-----	-----
Net Income	\$ 381,000	\$ 348,000
Other Comprehensive Income, net of tax		
Unrealized gain (loss) on securities:		
Unrealized holding gains (losses) arising during period	(380,000)	(158,000)
Reclassification adjustment for (gains) losses included in net income	(4,000)	117,000
Other Comprehensive Income	\$ (384,000)	\$ (41,000)
Comprehensive Income (Loss)	\$ (3,000)	\$ 307,000
	=====	=====

GEORGE RISK INDUSTRIES, INC.
STATEMENT OF CASH FLOWS

	For the three months ended July 31,	
	2002	2001
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 381,000	\$ 348,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	64,000	61,000
Change in unrealized gain (loss) on investments	(384,000)	(41,000)
Changes in assets and liabilities:		
(Increase) decrease in:		
Marketable securities	(225,000)	(2,412,000)
Accounts receivable	385,000	71,000
Inventories	117,000	(106,000)
Prepaid expenses	6,000	4,000
Other assets	7,000	(58,000)
Receivables - officers and employees	0	1,000
Increase (decrease) in:		
Accounts payable	3,000	26,000
Accrued expenses	70,000	59,000
Income tax payable	272,000	316,000

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Net cash provided by (used in) operating activities	\$ 696,000	\$ (1,731,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Purchase) Sale of property and equipment	(22,000)	(17,000)
(Purchase) of treasury stock	0	0
Net cash provided by (used in) investing activities	\$ (22,000)	\$ (17,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(3,000)	(3,000)
Treasury stock issued	0	0
Net cash provided by (used in) financing activities	\$ (3,000)	\$ (3,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 671,000	\$ (1,751,000)
Cash and cash equivalents, beginning of period	\$ 1,094,000	\$ 2,502,000
Cash and cash equivalents, end of period	\$ 1,765,000	\$ 751,000

GEORGE RISK INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2002

Note 1 Unaudited Interim Financial Statements

The accompanying financial statements have been prepared in accordance with the instructions for Form 10QSB and do not include all of the information and footnotes required by generally accepted accounting principals for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments considered necessary for a fair presentation, have been included. Operating results for any quarter are not necessarily indicative of the results for any other quarter or for the full year.

Note 2 Marketable Securities

Marketable equity securities are recorded at the lower of cost or market and are classified as available-for-sale securities. The cost of marketable securities sold is determined on the average cost method with realized gains or losses being reflected in the income statement and any unrealized gains or losses being reported as a separate component of stockholder's equity until realized. Dividend and interest income are accrued as earned.

Marketable equity securities and unrealized gains and losses consist of the following as of July 31, 2002 and July 31, 2001:

Cost Basis	\$10,726,000	\$ 9,520,000
Market Value	8,914,000	8,629,000
Net Unrealized Gain (Loss)	\$ (1,812,000)	\$ (891,000)

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Note 3 Inventories

At July 31, 2002 and July 31, 2001, respectively, inventories consisted of the following:

Raw Materials	\$ 1,593,000	\$ 2,160,000
Work in Process	442,000	399,000
Finished Goods	272,000	314,000
Warehouse in England	74,000	62,000
	-----	-----
	\$ 2,381,000	\$ 2,935,000
Less: allowance for obsolete inventory	(70,000)	(70,000)
	-----	-----
Net Inventories	\$ 2,311,000	\$ 2,865,000
	=====	=====

Note 4 Business Segments

The following is financial information relating to industry segments:

	For the quarter ended	
	July 31,	
	2002	2001
	-----	-----
Net revenue:		
Keyboard products	\$ 171,000	\$ 284,000
Security alarm and other products	2,850,000	2,733,000
	-----	-----
Total net revenue	\$ 3,021,000	\$ 3,017,000
Income from operations:		
Keyboard products	\$ 34,000	\$ 61,000
Security alarm and other products	532,000	590,000
	-----	-----
Total income from operations	\$ 566,000	\$ 651,000
Identifiable assets:		
Keyboard products	\$ 312,000	\$ 360,000
Security alarm and other products	3,262,000	4,384,000
Corporate general	12,097,000	10,812,000
	-----	-----
Total assets	\$15,671,000	\$15,556,000
Depreciation and amortization:		
Keyboard products	\$ 2,000	\$ 2,000
Security alarm and other products	39,000	35,000
Corporate general	23,000	24,000
	-----	-----
Total depreciation and amortization	\$ 64,000	\$ 61,000
Capital expenditures:		
Keyboard products	\$ 0	\$ 0
Security alarm and other products	22,000	9,000
Corporate general	0	8,000
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Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the attached condensed consolidated financial statements, and with the GRI's audited financial statements and discussion for the fiscal year ended April 30, 2002.

Net cash increased \$671,000 during the quarter ended July 31, 2002 as compared to a decrease of \$1,751,000 during the corresponding quarter last year. Last year, the main reason for the big decrease in that quarter was that we transferred \$2,500,000 into an annuity on the marketable securities section. Otherwise, it was pretty much business as usual for the current quarter. Marketable securities increased \$225,000 for the quarter as compared to a \$2,412,000 increase for the corresponding quarter last year. Except for the annuity, we have not been putting much additional cash into the marketable securities, but instead we are using the money already in the investment accounts and hopefully are making smart investment choices. For the quarter ended July 31, 2002, the stock market performed worse than it did for the three months ended July 31, 2001. And GRI has some stock holdings from a few of the bad performers. Therefore, there was a bigger unrealized loss for the current period. Inventories decreased \$117,000 during the current quarter as compared to a \$106,000 increase last year. We have fewer raw materials on hand than the same period last year. This is due to some big purchases that we made in 2001 when we anticipated our sales to be higher. Accounts receivable decreased \$385,000 for the quarter ending July 31, 2002, as compared to a \$71,000 decrease for the same quarter last year. We have done a better job at collecting money due to us with and A/R turnover at 27 days for the current quarter as compared to 31 days for the quarter last year. At the quarter ended July 31, 2002, 84.2% of the receivables are considered current (less than 45 days) and 2.5% of the total are over 90 days past due. At the quarter ended July 31, 2002 there was a \$7,000 decrease in other assets while at July 31, 2001, there was a \$58,000 increase. The reason for the decrease in other assets is that we completed our remodeling project in our main building in January 2002 and we have not started anything else as big at this time.

At the quarter ended July 31, 2002, accounts payable shows an increase of \$3,000 as compared to an increase of \$26,000 for the same quarter the year before. As usual, we continue to strive to pay all of our payables within terms and take all purchase discounts that are available. Notes payable decreased by \$3,000 for both the current and previous quarter. No new notes have been needed to conduct our day to day business. We have just been paying on the notes that are already on the books. Income tax payable increased \$272,000 for the quarter ended July 31, 2002. This compares to an increase of \$316,000 for the quarter ended July 31, 2001. The difference of \$44,000 accounts for the fact that we have a good size refund coming our way.

The following is a list of ratios to help analyze George Risk Industries' performance:

Qtr ended	Qtr ended
July 31, 2002	July 31, 2001
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Working capital	\$13,991,000	\$13,498,000
Current ratio	23.068	16.587
Quick ratio	19.216	13.135
Cash per share (including marketable securities)	\$1.98	\$ 1.64
Equity per share	\$2.76	\$ 2.56

Net sales were \$3,021,000 for the quarter ended July 31, 2002, which is a 1% increase from the corresponding quarter last year. Cost of goods sold was 55.5% of net sales for the quarter ended July 31, 2002 and the cost of goods sold percentage to net sales was 52.2% for the quarter ended July 31, 2001. Having relatively the same percentage of cost of goods sold from period to period shows that we keep our costs in line. We have increased our cost of materials and direct labor in proportion to how our sales have increased.

Operating expenses were 25.8% of net sales for the quarter ended July 31, 2002 as compared to 26.3% for the corresponding quarter last year. Having relatively the same percentages for both periods shows that management keeps a close eye on our operating expenses to keep them in line from year to year. We anticipated our sales to be more than they were last year, so management had increased wages and staff a bit more than we should have last year. But we made the correct adjustments throughout the previous year in order to bring the operating expenses back down a bit. Income from operations for the quarter ended July 31, 2002 was at \$566,000, which is a 13.1% decrease from the corresponding quarter last year, which had income from operations of \$651,000.

Other income and expenses showed a \$87,000 gain for the quarter ended July 31, 2002 as compared to having a \$55,000 loss for the quarter ended July 31, 2001. The main reason for the loss in the quarter ending July 31, 2001, was that we were urged to sell one of our stock holdings for a loss of \$117,000 during that quarter. This particular corporate bond had been decreasing in value for some time. In turn, net income for the quarter ended July 31, 2002 was at \$381,000, a 9.56% increase from the corresponding quarter last year, which showed a net income of \$348,000. Earnings per share for the quarter ended July 31, 2002 was \$0.07 per share and \$0.06 per share for the quarter ended July 31, 2001.

George Risk Industries does have two distinct business segments, security alarm products and keyboard products that are subject to disclosure under SFAS No. 131. See the notes to the financial statements in order to examine the two segments.

New products that the security division has introduced into the marketplace recently include a five, twelve and twenty-four volt DC water sensor, based on our original water sensor. The new product line of water sensors has grown over the past year as attempts are being made to enter new markets, such as home automation and HVAC. The Thermostat 3 and 4 versions are near production stage, which will assist our efforts to move into new markets.

The pool alarm product sales continue to increase mainly due to new legislation and building code enforcement in the state of Florida. This trend is expected to expand into other states as well, primarily California, Arizona, and Texas. We have applied for ETL certification on the 189/289 series pool alarms to meet these new codes in Florida.

A power transfer device, the PTD-1, along with a terminal block series, the 6600 and 6601, are new products that we introduced at the International Security Conference (ISC) in August 2002. We also showed a modified single

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gang junction box for the E-Z Duct raceway line. A double gang box is in the design mode. The E-Z Duct product has shown great growth since its introduction into the market a year ago.

Research and development projects include a glass break sensor in the testing stage. Engineering continues to research products using GRI's C(2)T technology. Also, we have added two new options for the CT300 series of touch sensors.

Management is always open to the possibility to acquire a business that would complement our existing operations. This would require no outside financing. The intent is 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 sell to distributors and OEM manufacturers. Our products are tied to the housing industry and will fluctuate with building trends.

GEORGE RISK INDUSTRIES, INC.

Part II. OTHER INFORMATION

- Item 1. Legal Proceedings
Not applicable
- Item 2. Changes in Securities
Not applicable.
- Item 3. Defaults upon Senior Securities
Not applicable
- Item 4. Submission of Matters to a Vote of Securities
Not applicable
- Item 5. Other Information
Not applicable
- Item 6. Exhibits and Reports on Form 8-K
 - A. Reports on Form 8-K
No 8-K reports were filed during the quarter ended July 31, 2002.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

George Risk Industries, Inc.
(Registrant)

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Date 09-13-2002

By: /s/ Kenneth R. Risk
Kenneth R. Risk, President and
Chairman of the Board

Date 09-13-2002

By: /s/ Stephanie M. Risk
Stephanie M. Risk, Chief Financial Officer
and Controller