

Edgar Filing: RISK GEORGE INDUSTRIES INC - Form 10QSB/A

RISK GEORGE INDUSTRIES INC
Form 10QSB/A
December 19, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB/A

(Mark One)

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

For the quarter ended October 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 (Address of principal executive offices) (Zip Code)

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 December 19, 2002, was 5,402,528.

Transitional Small Business Disclosure Format: Yes No

GEORGE RISK INDUSTRIES, INC.

PART I. FINANCIAL INFORMATION

Edgar Filing: RISK GEORGE INDUSTRIES INC - Form 10QSB/A

Item 1. Financial Statements

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

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

ASSETS

Current Assets	
Cash and cash equivalents	\$ 1,891,000
Investments and securities (Note 2)	9,051,000
Accounts receivable:	
Trade, net of \$50,000 doubtful account allowance	1,954,000
Other	4,000
Notes receivable	1,000
Inventories (Note 3)	2,428,000
Prepaid expenses	63,000
Deferred income taxes	52,000

Total Current Assets	\$15,444,000
Property and Equipment, net at cost	\$ 974,000
Other Assets	
Projects in process	41,000
Other	2,000

Total Other Assets	\$ 43,000
 TOTAL ASSETS	 \$16,461,000 =====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	
Accounts payable, trade	\$ 186,000
Accrued expenses	
Payroll and related expenses	267,000
Property taxes	(5,000)
Income tax payable	147,000
Notes payable, current	80,000

Total Current Liabilities	\$ 675,000
Long-Term Liabilities	
Notes payable	155,000

Edgar Filing: RISK GEORGE INDUSTRIES INC - Form 10QSB/A

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	(1,722,000)
Retained earnings	16,423,000
Less: cost of treasury stock, 3,100,304 shares, at cost	(1,763,000)

Total Stockholders' Equity	\$15,631,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$16,461,000 =====

GEORGE RISK INDUSTRIES, INC.
INCOME STATEMENT

	Three months ended October 31, 2002	Six months ended October 31, 2002	Three months ended October 31, 2001	Six months ended October 31, 2001

Net Sales	\$ 3,564,000	\$ 6,585,000	\$ 3,369,000	\$ 6,386,000
Less: cost of goods sold	(1,490,000)	(3,166,000)	(1,698,000)	(3,273,000)

Gross Profit	\$ 2,074,000	\$ 3,419,000	\$ 1,671,000	\$ 3,113,000
Operating Expenses:				
General and administrative	178,000	337,000	175,000	351,000
Selling	627,000	1,214,000	747,000	1,332,000
Engineering	16,000	34,000	19,000	32,000
Rent paid to related parties	11,000	26,000	14,000	31,000

Total Operating Expenses	\$ 832,000	\$ 1,611,000	\$ 955,000	\$ 1,746,000
Income From Operations	1,242,000	1,808,000	716,000	1,367,000
Other Income (Expense)				
Other	(10,000)	(10,000)	16,000	5,000
Dividend and interest income	75,000	158,000	75,000	148,000
Interest expense	0	0	0	0
Gain(loss) on investments	(175,000)	(171,000)	(1,000)	(118,000)

	\$ (110,000)	\$ (23,000)	\$ 90,000	\$ 35,000
Income Before Provisions for Income Tax	1,132,000	1,785,000	806,000	1,402,000
Provisions for Income Tax	(473,000)	(745,000)	(337,000)	(585,000)

Net Income	\$ 659,000	\$ 1,040,000	\$ 469,000	\$ 817,000

Edgar Filing: RISK GEORGE INDUSTRIES INC - Form 10QSB/A

Retained Earnings, beginning of period	\$15,764,000	\$15,383,000	\$13,874,000	\$13,526,000
Retained Earnings, end of period	\$16,423,000	\$16,423,000	\$14,343,000	\$14,343,000
Income Per Share of Common Stock: (Note 6)				
Basic	\$.12	\$.19	\$.08	\$.14
Assuming Dilution	\$.12	\$.19	\$.08	\$.14

GEORGE RISK INDUSTRIES, INC.
STATEMENT OF COMPREHENSIVE INCOME

	Three months ended October 31, 2002	Six months ended October 31, 2002	Three months ended October 31, 2001	Six months ended October 31, 2001
Net Income	\$ 659,000	\$ 1,040,000	\$ 469,000	\$ 817,000
Other Comprehensive Income, net of tax				
Unrealized gain (loss) on securities:				
Unrealized holding gains (losses) arising during period	(85,000)	(466,000)	(311,000)	(470,000)
Reclassification adjustment for (gains) losses included in net income	175,000	171,000	0	118,000
Other Comprehensive Income	\$ 90,000	\$ (295,000)	\$ (311,000)	\$ (352,000)
Comprehensive Income (Loss)	\$ 749,000	\$ 745,000	\$ 158,000	\$ 465,000

GEORGE RISK INDUSTRIES, INC.
STATEMENT OF CASH FLOWS

	Three months ended October 31, 2002	Six months ended October 31, 2002	Three months ended October 31, 2001	Six months ended October 31, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net Income	\$ 659,000	\$ 1,040,000	\$ 469,000	\$ 817,000
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	32,000	96,000	61,000	121,000

Edgar Filing: RISK GEORGE INDUSTRIES INC - Form 10QSB/A

Change in unrealized gain/ (loss) on investments	90,000	(295,000)	(311,000)	(352,000)
Changes in assets and liabilities:				
(Increase) decrease in:				
Investments/securities	(137,000)	(362,000)	64,000	(2,348,000)
Accounts receivable	(449,000)	(64,000)	404,000	476,000
Inventories	(118,000)	0	235,000	129,000
Prepaid expenses	(1,000)	5,000	(18,000)	(14,000)
Other assets	(7,000)	0	(36,000)	(94,000)
Receivables-officers and employees	(1,000)	(1,000)	2,000	3,000
Increase (decrease) in:				
Accounts payable	80,000	83,000	(76,000)	(51,000)
Accrued expenses	(48,000)	22,000	(56,000)	4,000
Income tax payable	10,000	282,000	(335,000)	(19,000)
	-----	-----	-----	-----
Net cash provided by (used in) operating activities	\$ 110,000	\$ 806,000	\$ 403,000	(\$1,328,000)
CASH FLOWS FROM INVESTING ACTIVITIES:				
(Purchase) Sale of property and equipment	17,000	(5,000)	(25,000)	(42,000)
(Purchase) of treasury stock	0	0	0	0
	-----	-----	-----	-----
Net cash provided by (used in) investing activities	\$ 17,000	\$ (5,000)	\$ (25,000)	\$ (42,000)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal payments on long-term debt	(1,000)	(4,000)	(3,000)	(6,000)
Treasury stock issued	0	0	21,000	21,000
	-----	-----	-----	-----
Net cash provided by (used in) financing activities	\$ (1,000)	\$ (4,000)	\$ 18,000	\$ 15,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 126,000	\$ 797,000	\$ 396,000	(\$1,355,000)
	=====	=====	=====	=====
Cash and cash equivalents, beginning of period	\$ 1,765,000	\$ 1,094,000	\$ 751,000	\$ 2,502,000
Cash and cash equivalents, end of period	\$ 1,891,000	\$ 1,891,000	\$ 1,147,000	\$ 1,147,000

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

Note 1 Unaudited Interim Financial Statements

The accompanying financial statements have been prepared in accordance with the instructions for Form 10QSB/A 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.

Edgar Filing: RISK GEORGE INDUSTRIES INC - Form 10QSB/A

Note 2 Investments and 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. The securities are accounted for using fair value as required by FAS 115. Any unrealized gains or losses are 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 October 31, 2002 and October 31, 2001:

Cost Basis	\$ 10,723,000	\$ 9,767,000
Fair Value	9,001,000	8,565,000
	-----	-----
Net Unrealized Gain (Loss)	\$ (1,722,000)	\$ (1,202,000)

Note 3 Inventories

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

Raw Materials	\$ 1,581,000	\$ 2,092,000
Work in Process	646,000	341,000
Finished Goods	191,000	227,000
Warehouse in England	80,000	40,000
	-----	-----
	\$ 2,498,000	\$ 2,700,000
Less: allowance for obsolete inventory	(70,000)	(70,000)
	-----	-----
Net Inventories	\$ 2,428,000	\$ 2,630,000
	=====	=====

Note 4 Business Segments

The following is financial information relating to industry segments:

	For the quarter ended	
	October 31,	
	2002	2001
	-----	-----
Net revenue:		
Keyboard, pool alarm, and other products	\$ 588,000	\$ 364,000
Security alarm products	2,976,000	3,005,000
	-----	-----
Total net revenue	\$ 3,564,000	\$ 3,369,000
Income from operations:		
Keyboard, pool alarm, and other products	\$ 205,000	\$ 77,000
Security alarm products	1,037,000	639,000
	-----	-----
Total income from operations	\$ 1,242,000	\$ 716,000

Edgar Filing: RISK GEORGE INDUSTRIES INC - Form 10QSB/A

Identifiable assets:		
Keyboard, pool alarm, and other products	\$ 378,000	\$ 334,000
Security alarm products	3,751,000	3,721,000
Corporate general	12,332,000	11,225,000
	-----	-----
Total assets	\$ 16,461,000	\$ 15,280,000
Depreciation and amortization:		
Keyboard pool alarm, and other products	\$ 2,000	\$ 2,000
Security alarm products	39,000	37,000
Corporate general	(9,000)	22,000
	-----	-----
Total depreciation and amortization	\$ 32,000	\$ 61,000
Capital expenditures:		
Keyboard, pool alarm, and other products	\$ 0	\$ 3,000
Security alarm products	16,000	20,000
Corporate general	(33,000)	2,000
	-----	-----
Total capital expenditures	\$ (17,000)	\$ 25,000

Note 5 Revenue Recognition

George Risk Industries recognizes its revenues when goods are shipped and billed to its customers. There is a \$50,000 allowance that was established to account for any uncollectable accounts.

Note 6 Earnings per Share

Basic and diluted earnings per share, assuming convertible preferred stock was converted for each period presented, are:

	For the three months ended October 31, 2002		

	Income	Shares	Per-share
	(Numerator)	(Denominator)	Amount
	-----	-----	-----
Net income	\$ 659,000		
	=====		
Basic EPS	\$ 659,000	5,402,528	\$ 0.12
Effect of Dilutive Securities:			
Convertible preferred stock	0	26,750	
	-----	-----	-----
Diluted EPS	\$ 659,000	5,429,278	\$ 0.12
	For the six months ended October 31, 2002		

	Income	Shares	Per-share
	(Numerator)	(Denominator)	Amount
	-----	-----	-----
Net Income	\$1,040,000		
	=====		
Basic EPS	\$1,040,000	5,402,528	\$ 0.19
Effect of Dilutive Securities:			
Convertible preferred stock	0	26,750	
	-----	-----	-----

Edgar Filing: RISK GEORGE INDUSTRIES INC - Form 10QSB/A

Diluted EPS \$1,040,000 5,429,278 \$ 0.19

For the three months ended October 31, 2001

	Income (Numerator)	Shares (Denominator)	Per-share Amount
Net Income	\$ 469,000		
Basic EPS	\$ 469,000	5,720,773	\$ 0.08
Effect of Dilutive Securities: Convertible preferred stock	0	26,750	
Diluted EPS	\$ 469,000	5,747,523	\$ 0.08

For the six months ended October 31, 2001

	Income (Numerator)	Shares (Denominator)	Per-share Amount
Net Income	\$ 817,000		
Basic EPS	\$ 817,000	5,719,088	\$ 0.14
Effect of Dilutive Securities: Convertible preferred stock	0	26,750	
Diluted EPS	\$ 817,000	5,745,838	\$ 0.14

GEORGE RISK INDUSTRIES, INC.

PART I. FINANCIAL INFORMATION

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 financial statements, and with the George Risk Industries' audited financial statements and discussion for the fiscal year ended April 30, 2002.

Net cash increased \$126,000 during the quarter ended October 31, 2002 as com-

Edgar Filing: RISK GEORGE INDUSTRIES INC - Form 10QSB/A

pared to an increase of \$396,000 during the corresponding quarter last year. As for the year-to-date numbers, net cash increased \$797,000 for the six months ended October 31, 2002, while, for the same period last year, net cash decreased \$1,355,000. The main reason for the big decrease in the year-to-date figures last year is that we transferred \$2,500,000 into an annuity in the marketable securities section. Investments and marketable securities increased \$137,000 for the quarter while it increased \$362,000 for the year-to-date data. The increases in the investment account include the purchase of a tract of land for future development in the Winter Park, CO area. Inventories increased \$118,000 during the current quarter as compared to a \$235,000 increase last year. The year-to-date numbers show the inventory returned to the same amount that we had on the books at the fiscal year end for the current year, while there was a \$129,000 decrease for the same period last year. The quarterly decrease in inventory occurred because our sales have increased over the quarter. We are shipping out our products as soon as they are finished. Accounts receivable increased \$449,000 during the current quarter as compared to a \$404,000 decrease for the corresponding quarter last year. The year-to-date figures show an increase of \$64,000 for the current six months and a \$129,000 decrease for the same period last year. Again, sales have increased, which accounts for the increase in accounts receivable. At October 31, 2002, 80.7% of the receivables were considered current (less than 45 days) and 2.3% of the total were over 90 days past due. For the quarter ended October 31, 2002 there was a \$7,000 increase in other assets while for the quarter ended October 31, 2001, there was a \$36,000 increase. The six months ended October 31, 2002, shows a zero dollar change in other assets while the same period last year shows a \$94,000 increase. The reason for the big increases in other assets last year is that we had just completed a remodeling project in our main building. This project consisted of making office space available for our sales staff.

At the quarter ended October 31, 2002, accounts payable increased \$80,000 as compared to a \$76,000 decrease for the same quarter the year before. As for year-to-date numbers, there was a \$83,000 increase for the six months ended October 31, 2002, and a \$51,000 decrease for the same period ended October 31, 2001. As stated before, our sales have increased so we are buying more raw materials than at the same time last year. Notes payable decreased by \$1,000 for the current quarter, while it decreased \$3,000 for the corresponding quarter last year. Year-to-date figures displayed a \$4,000 decrease for the current six months, while there was a \$6,000 decrease for same period last year. No new notes have been needed to conduct our day to day business, and we have just paid off a couple of vehicle notes that were on the books. Income tax payable increased \$10,000 for the quarter ended October 31, 2002, while it decreased \$335,000 for the quarter ended October 31, 2001. For the six months ended October 31, 2002, income tax payable increased \$282,000, while it decreased \$19,000 for the corresponding period a year ago. These increases reflect the increase in net income.

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

	For the quarter ended October 31,	
	2002	2001

Working capital	\$14,769,000	\$13,658,000
Current ratio	22.880	34.150
Quick ratio	19.105	27.432
Cash per share (including marketable securities)	\$ 2.03	\$ 1.70
Equity per share	\$ 2.89	\$ 2.58

Edgar Filing: RISK GEORGE INDUSTRIES INC - Form 10QSB/A

Net sales were \$3,564,000 for the quarter ended October 31, 2002, which is a 5.8% increase from the corresponding quarter last year. Year-to-date net sales were \$6,585,000 at October 31, 2002, which is a 3.1% increase from the same period last year. Cost of goods sold was 41.8% of net sales for the quarter ended October 31, 2002 and 50.4% for the same quarter last year. Year-to-date cost of goods sold percentages were 48.1% for the current six months and 51.3% for the corresponding six months last year. Having relatively the same percentage of cost of goods sold from period to period shows that we keep our costs in line. But the decreases for the current year help account for the increase in net income. Our cost of materials and direct labor fluctuate in proportion to how our sales vary.

Operating expenses were 23.3% of net sales for the quarter ended October 31, 2002 as compared to 28.3% for the corresponding quarter last year. Year-to-date operating expenses were 24.5% of net sales for the six months ended October 31, 2002, while they were 27.3% for the same period last year. The primary reason for the decreases in operating expenses is that our "Distributor Volume Rebate" program has finally been in the works for over two years, and the figures compare to each other in a more reasonable manner. Since our sales have increased almost 18% for the second quarter over the first quarter the rebate is not as big. Income from operations for the quarter ended October 31, 2002 was at \$1,242,000, which is an 73.5% increase from the corresponding quarter last year, which had income from operations of \$716,000. Income from operations for the six months ended October 31, 2002 was at \$1,808,000, which is a 32.3% increase from the corresponding six months last year, which had income from operations of \$1,367,000.

Other income and expenses showed losses of \$110,000 and \$23,000 for the quarter and six months ended October 31, 2002, respectively. The other income and expense numbers for last year were a \$90,000 increase for the quarter and a \$35,000 increase for the six months ending October 31, 2001. The main reason for the losses is that we sold our WorldCom stock in the second quarter. That accounted for a \$175,000 loss on our investments. Net income for the quarter ended October 31, 2002 was at \$659,000, a 40.5% increase from the corresponding quarter last year, which showed a net income of \$469,000. Net income for the six months ended October 31, 2002 was \$1,040,000, a 27.3% increase from the same period last year. Net income for the six months ended October 31, 2001 was \$817,000. Earnings per common share for the quarter ended October 31, 2002 was \$0.12 per share and \$0.19 per share for the year-to-date numbers. EPS for the quarter and six months ended October 31, 2001 was \$0.08 per share and \$0.14 per share, respectively.

We have two distinct business segments, security alarm products and keyboard/pool alarms/other products that are subject to disclosure under SFAS No. 131. See the notes to the financial statements in order to examine the segments.

Our security division's marketing department has introduced several additional products. These include a Fluid Sensor with Relay Contact that operates on an AC circuit and a Liquid Level Detector for use with wireless transmitters. Also, an overhead door switch that is buried in the concrete floor for protection from heavy equipment has been received well.

The Thermostat 3 & 4's are in production now and have been submitted for C.E. approval in Europe. We have also received the ETL approval on our 189/289 pool alarms recently.

Tool and die is completing the Single and Double Gang Boxes for the E-Z Duct raceway line, along with new connectors for the new, larger raceway. We should be able to begin shipping the larger raceway in the beginning of 2003.

Edgar Filing: RISK GEORGE INDUSTRIES INC - Form 10QSB/A

Research and development continues on a wireless module that, once it is approved by the FCC, can be used in many of our existing products, such as our pool alarms and door and window contacts without resubmitting.

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. The 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 October 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)

Date 12-19-2002

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

Edgar Filing: RISK GEORGE INDUSTRIES INC - Form 10QSB/A

of the Board

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