

Edgar Filing: RISK GEORGE INDUSTRIES INC - Form 10QSB

RISK GEORGE INDUSTRIES INC  
Form 10QSB  
March 14, 2003

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 January 31, 2003

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.  
Kimball, NE 69145  
(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 March 14, 2003, was 5,402,528.

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 January 31, 2003, and the nine month period ended January 31, 2003, are attached hereto.

#### GEORGE RISK INDUSTRIES, INC. BALANCE SHEET JANUARY 31, 2003

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,379,000
Marketable securities (Note 2)	9,140,000
Accounts receivable:	
Trade, net of \$50,000 doubtful account allowance	1,749,000
Other	1,000
Notes receivable	1,000
Inventories (Note 3)	2,508,000
Prepaid expenses	82,000
Deferred income taxes	52,000
	-----
Total Current Assets	\$15,912,000
Property and Equipment, net at cost	\$ 953,000
Other Assets	
Projects in process	55,000
Long-term investment	200,000
Other	2,000
	-----
Total Other Assets	\$ 257,000
<b>TOTAL ASSETS</b>	<b>\$17,122,000</b>
	=====

#### GEORGE RISK INDUSTRIES, INC. BALANCE SHEET JANUARY 31, 2003

#### LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	
Accounts payable, trade	\$ 167,000
Accrued expenses	
Payroll and related expenses	200,000
Property taxes	2,000
Income taxes payable	147,000
Notes payable, current	80,000
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Total Current Liabilities	\$ 596,000
Long-Term Liabilities	
Notes payable	155,000
	-----
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	(1,625,000)
Retained earnings	17,066,000
Less: cost of treasury stock, 3,099,304 shares, at cost	(1,763,000)
	-----
Total Stockholders' Equity	\$ 16,371,000
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 17,122,000</b>
	=====

GEORGE RISK INDUSTRIES, INC.  
STATEMENT OF INCOME AND RETAINED EARNINGS

	Three months ended January 31, 2003	Nine months ended January 31, 2003	Three months ended January 31, 2002	Nine months ended January 31, 2002
	-----	-----	-----	-----
Net Sales	\$ 3,393,000	\$ 9,978,000	\$ 2,916,000	\$ 9,302,000
Less: cost of goods sold	(1,709,000)	(4,875,000)	(1,448,000)	(4,721,000)
	-----	-----	-----	-----
Gross Profit	\$ 1,684,000	\$ 5,103,000	\$ 1,468,000	\$ 4,581,000
Operating Expenses:				
General and administrative	167,000	504,000	178,000	529,000
Selling	585,000	1,798,000	543,000	1,875,000
Engineering	17,000	51,000	27,000	60,000
Rent Paid to Related Parties	11,000	38,000	14,000	45,000
	-----	-----	-----	-----
Total Operating Expenses	\$ 780,000	\$ 2,391,000	\$ 762,000	\$ 2,509,000
Income From Operations	904,000	2,712,000	706,000	2,072,000
Other Income (Expense)				
Interest Income	(5,000)	(16,000)	3,000	11,000
Interest Expense	0	0	(1,000)	(1,000)
Investment Income (Loss)	83,000	252,000	81,000	221,000
Gain/(loss) on sale				

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of investments	115,000	(56,000)	0	(118,000)
Other Income (Loss)	7,000	(3,000)	2,000	7,000
	-----	-----	-----	-----
	\$ 200,000	\$ 177,000	\$ 85,000	\$ 120,000
Income Before Provisions for Income Tax	1,104,000	2,889,000	791,000	2,192,000
Provisions for Income Tax	(461,000)	(1,206,000)	(331,000)	(915,000)
	-----	-----	-----	-----
Net Income	\$ 643,000	\$ 1,683,000	\$ 460,000	\$ 1,227,000
Retained Earnings, beginning of period	\$16,423,000	\$15,383,000	\$14,343,000	\$13,526,000
Retained Earnings, end of period	\$17,066,000	\$17,066,000	\$14,803,000	\$14,803,000
Income Per Share (Note 6)				
Basic	\$ .12	\$ .31	\$ .08	\$ .23
Assuming Dilution	\$ .12	\$ .31	\$ .08	\$ .22

GEORGE RISK INDUSTRIES, INC.  
STATEMENT OF COMPREHENSIVE INCOME

	Three months ended January 31, 2003	Nine months ended January 31, 2003	Three months ended January 31, 2002	Nine months ended January 31, 2002
	-----	-----	-----	-----
Net Income	\$ 643,000	\$ 1,683,000	\$ 460,000	\$ 1,277,000
Other Comprehensive Income, net of tax				
Unrealized gain (loss) on securities:				
Unrealized holding gains (losses) arising during period	(17,000)	(141,000)	107,000	(127,000)
Reclassification adjustment for gains (losses) included in net income	115,000	(56,000)	0	(118,000)
	-----	-----	-----	-----
Other Comprehensive Income	\$ 98,000	\$ (197,000)	\$ 107,000	\$ (245,000)
Comprehensive Income	\$ 741,000	\$ 1,486,000	\$ 567,000	\$ 1,032,000
	=====	=====	=====	=====

GEORGE RISK INDUSTRIES, INC.  
STATEMENT OF CASH FLOWS

	Three months ended January 31,	Nine months ended January 31,	Three months ended January 31,	Nine months ended January 31,
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	2003	2003	2002	2002
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net Income	\$ 643,000	\$ 1,683,000	\$ 460,000	\$ 1,277,000
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	66,000	162,000	72,000	193,000
Change in unrealized gain (loss) on investments	98,000	(197,000)	107,000	(245,000)
Changes in assets and liabilities: (Increase) decrease in:				
Marketable securities	(289,000)	(451,000)	(189,000)	(2,537,000)
Accounts receivable	205,000	141,000	(52,000)	423,000
Inventories	(80,000)	(80,000)	(11,000)	118,000
Prepaid expenses	(13,000)	(8,000)	11,000	(3,000)
Other assets	(21,000)	(221,000)	97,000	3,000
Receivables-officers and employees	3,000	2,000	4,000	7,000
Increase (decrease) in:				
Accounts payable	(19,000)	63,000	(16,000)	(66,000)
Accrued expenses	(60,000)	(38,000)	(29,000)	(24,000)
Income tax payable	0	282,000	(8,000)	(27,000)
Net cash provided by (used in) operating activities	\$ 533,000	\$ 1,338,000	\$ 446,000	\$ (881,000)
CASH FLOWS FROM INVESTING ACTIVITIES:				
(Purchase) Sale of property and equipment	(45,000)	(49,000)	(110,000)	(152,000)
(Purchase) of treasury stock	0	0	(560,000)	(560,000)
Net cash provided by (used in) investing activities	\$ (45,000)	\$ (49,000)	\$ (670,000)	\$ (712,000)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal payments on long-term debt	0	(4,000)	(3,000)	(10,000)
Treasury stock issued	0	0	0	21,000
Net cash provided by (used in) financing activities	\$ 0	\$ (4,000)	\$ (3,000)	\$ 11,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	\$ 488,000	\$ 1,285,000	\$ (227,000)	\$ (1,582,000)
Cash and cash equivalents, beginning of period	\$ 1,891,000	\$ 1,094,000	\$ 1,147,000	\$ 2,502,000
Cash and cash equivalents, end of period	\$ 2,379,000	\$ 2,379,000	\$ 920,000	\$ 920,000

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## GEORGE RISK INDUSTRIES, INC. NOTES TO FINANCIAL STATEMENTS JANUARY 31, 2003

### Note 1      Unaudited Interim Financial Statements

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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

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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 January 31, 2003 and January 31, 2002:

Cost Basis	\$10,765,000	\$ 9,849,000
Fair Value	9,140,000	8,754,000
	-----	-----
Net Unrealized Gain (Loss)	\$(1,625,000)	\$(1,095,000)

### Note 3      Inventories

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At January 31, 2003 and January 31, 2002, respectively, inventories consisted of the following:

Raw Materials	\$ 1,635,000	\$ 2,029,000
Work in Process	480,000	360,000
Finished Goods	398,000	290,000
Warehouse in England	65,000	32,000
	-----	-----
	\$ 2,578,000	\$ 2,711,000
Less: allowance for obsolete inventory	(70,000)	(70,000)
	-----	-----
Net Inventories	\$ 2,508,000	\$ 2,641,000
	=====	=====

### Note 4      Business Segments

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The following is financial information relating to industry segments:

	For the quarter ended January 31,	
	2003	2002
Net revenue:		
Keyboard, pool alarm and other products	\$ 679,000	\$ 395,000
Security alarm products	2,714,000	2,521,000
	\$ 3,393,000	\$ 2,916,000
Income from operations:		
Keyboard, pool alarm and other products	\$ 181,000	\$ 96,000
Security alarm products	723,000	610,000
	\$ 904,000	\$ 706,000
Identifiable assets:		
Keyboard, pool alarm and other products	\$ 298,000	\$ 353,000
Security alarm products	3,683,000	3,766,000
Corporate general	13,141,000	11,121,000
	\$17,122,000	\$15,240,000
Depreciation and amortization:		
Keyboard, pool alarm and other products	\$ 2,000	\$ 2,000
Security alarm products	40,000	45,000
Corporate general	24,000	25,000
	\$ 66,000	\$ 72,000
Capital expenditures:		
Keyboard, pool alarm and other products	\$ 30,000	\$ 46,000
Security alarm products	15,000	2,000
Corporate general	0	62,000
	\$ 45,000	\$ 110,000

### Note 5 Revenue Recognition

George Risk Industries recognizes its revenues when goods are shipped and billed to our 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 January 31, 2003		
	Income (Numerator)	Shares (Denominator)	Per-share Amount
Net income	\$ 643,000		
Basic EPS	\$ 643,000	5,402,528	\$ 0.12
Effect of Dilutive Securities:			

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Convertible preferred stock	0	26,750		
Diluted EPS	\$ 643,000	5,429,278	\$	0.12

For the nine months ended January 31, 2003

	Income (Numerator)	Shares (Denominator)		Per-share Amount
Net Income	\$ 1,683,000			
Basic EPS	\$ 1,683,000	5,402,528	\$	0.31
Effect of Dilutive Securities:				
Convertible preferred stock	0	26,750		
Diluted EPS	\$ 1,683,000	5,429,278	\$	0.31

For the three months ended January 31, 2002

	Income (Numerator)	Shares (Denominator)		Per-share Amount
Net Income	\$ 460,000			
Basic EPS	\$ 460,000	5,510,108	\$	0.08
Effect of Dilutive Securities:				
Convertible preferred stock	0	26,750		
Diluted EPS	\$ 460,000	5,536,858	\$	0.08

For the nine months ended January 31, 2002

	Income (Numerator)	Shares (Denominator)		Per-share Amount
Net Income	\$ 1,277,000			
Basic EPS	\$ 1,277,000	5,649,428	\$	0.23
Effect of Dilutive Securities:				
Convertible preferred stock	0	26,750		
Diluted EPS	\$ 1,277,000	5,676,178	\$	0.22

GEORGE RISK INDUSTRIES, INC.

### PART I. FINANCIAL INFORMATION

Item 2. Management Discussion and Analysis of Financial Condition and



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

Net cash increased \$488,000 during the quarter ended January 31, 2003 as compared to a decrease of \$227,000 during the corresponding quarter last year. As for the year-to-date numbers, net cash increased \$1,285,000 for the nine months ended January 31, 2003, while, for the same period last year, net cash decreased \$1,582,000. The main reason for the big decrease in the year-to-date figures for last year is that we transferred \$2,500,000 into an annuity on the marketable securities section. Marketable securities increased \$289,000 for the quarter and increased \$451,000 for the year-to-date data. We have not been putting much additional cash into the marketable securities, except for the annuity last year, but instead we are using the money already in the investment accounts and hopefully are making smart investment choices. Inventories increased \$80,000 for the current quarter as compared to an \$11,000 increase for the same quarter last year. The year-to-date numbers show an \$8,000 increase in inventory for the current year, while there was a \$3,000 increase for the same period last year. We have had more sales this year, so that accounts for the increase in the raw materials. Accounts receivable decreased \$205,000 during the current quarter as compared to a \$52,000 increase for the corresponding quarter last year. The year-to-date figures show a decrease of \$141,000 for the current nine months and a \$423,000 decrease for the same period last year. Although sales are higher when comparing the current quarter to the same quarter last year, our accounts receivable turnover has stayed constant. At January 31, 2003, 73.61% of the receivables were considered current (less than 45 days) and 6.68% of the total were over 90 days past due. For the quarter ended January 31, 2003 there was a \$21,000 increase in other assets while for the quarter ended January 31, 2002, there was a \$97,000 decrease. The nine months ended January 31, 2003, shows a \$221,000 increase in other assets while the same period last year shows a \$3,000 decrease. The reason for the big increase in other assets for the year to date figure is that we purchased two units of an LLC that purchased land in the Winter Park, CO area as a long-term investment.

At the quarter ended January 31, 2003, accounts payable decreased \$19,000 as compared to a \$16,000 decrease for the same quarter the year before. As for year-to-date numbers, there was a \$63,000 decrease for the nine months ended January 31, 2003, and a \$66,000 decrease for the same period ended January 31, 2002. As usual, we continue to strive to pay all of our bills within terms and take all purchase discounts that are available. There were no payments for notes payable during the current quarter, as compared to a \$3,000 decrease for the corresponding quarter last year. Year-to-date figures displayed a \$4,000 decrease for the current nine months, while there was a \$10,000 decrease for same period last year. No new notes have been needed to conduct our day to day business, and we just paid off the vehicle notes that were on the books. Income tax payable shows a zero dollar change for the quarter ended January 31, 2003, while it decreased \$8,000 for the quarter ended January 31, 2002. For the nine months ended January 31, 2003, income tax payable increased \$282,000, while it decreased \$27,000 for the corresponding period a year ago. The differences from year to year reflect the differences in net income.

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

	For the quarter ended January 31	
	2003	2002
	-----	
Working capital	\$15,316,000	\$13,724,000
Current ratio	26.698	38.360
Quick ratio	22.262	31.005
Cash per share (including marketable securities)	\$ 2.13	\$ 1.71
Equity per share	\$ 3.03	\$ 2.62

Net sales were \$3,393,000 for the quarter ended January 31, 2003, which is a 16.4% increase from the corresponding quarter last year. Year-to-date net sales were \$9,978,000 at January 31, 2003, which is a 7.3% increase from the same period last year. Cost of goods sold was 50.4% of net sales for the quarter ended January 31, 2003 and 49.7% for the same quarter last year. Year-to-date cost of goods sold percentages were 48.9% for the current nine months and 50.8% for the corresponding nine 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. Our cost of materials and direct labor fluctuate in proportion to how our sales vary.

Operating expenses were 23.0% of net sales for the quarter ended January 31, 2003 as compared to 26.1% for the corresponding quarter last year. Year-to-date operating expenses were 24.0% of net sales for the nine months ended January 31, 2003, while they were 27.0% for the same period last year. As our growth has slowed down over the past couple of years, management has finally become accustomed to what they need to be doing to keep their expenses down. Income from operations for the quarter ended January 31, 2003 was at \$904,000, which is a 28.0% increase from the corresponding quarter last year, which had income from operations of \$706,000. Income from operations for the nine months ended January 31, 2003 was at \$2,712,000, which is a 30.9% increase from the corresponding nine months last year, which had income from operations of \$2,072,000.

Other income and expenses showed gains of \$200,000 and \$177,000 for the quarter and nine months ended January 31, 2003, respectively. The numbers for the corresponding periods last year were gains of \$85,000 and \$120,000. While we are making money on interest income, it is sometimes offset with bad investments. But we did have a bad investment turn good for us in January 2003. We had written off a bond at fiscal year end 1999 because this company, Cole Taylor, had declared bankruptcy. As it turns out, some things were not done properly and we got our entire investment plus interest was returned to us. Thus, net income for the quarter ended January 31, 2003 was at \$643,000, a 39.8% increase from the corresponding quarter last year, which showed a net income of \$460,000. Net income for the nine months ended January 31, 2003 was \$1,683,000, a 31.8% increase from the same period last year. Net income for the nine months ended January 31, 2001 was \$1,277,000. Earnings per common share for the quarter ended January 31, 2003 was \$0.12 per share and \$0.31 per share for the year-to-date numbers. EPS for the quarter and nine months ended January 31, 2002 was \$0.08 per share and \$0.23 per share, respectively.

George Risk Industries does have two distinct business segments, security alarm products and keyboard products that are subject to disclosure under

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SFAS No. 131. See the notes to the financial statements in order to examine the two segments.

Here is an update on some of our new product development. The 5/8" x 1 1/4" E-Z 75 Raceway is now in-house. Tool and die has completed work on the double gang box and most of the additional connectors. Research and development is moving forward on the design for a raceway box to hold smoke alarms. The sales department is experiencing an increase in demand for our mercury tilt switches, which require a variety of packaging. Engineering is assisting in the design work. After introducing our 4110 vane switch set, we have received customer requests for a larger version to be used on commercial doors. The 4480 series should be available in early spring. Research and development is also designing current controllers that could operate up to 1800 wattage. Research continues on the wireless module, temperature sensors, a humidity probe for our Thermostat series, and a glass break switch.

Management is always open to the possibility to acquire a business that would complement our existing operations. This would probably not require any 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  
January 31, 2003.

SIGNATURES

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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 03-14-2003

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

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