

Edgar Filing: RISK GEORGE INDUSTRIES INC - Form 10QSB

RISK GEORGE INDUSTRIES INC  
Form 10QSB  
September 18, 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 July 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. 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 18, 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 July 31, 2003, are attached hereto.

GEORGE RISK INDUSTRIES, INC.  
BALANCE SHEET  
JULY 31, 2003

ASSETS

Current Assets	
Cash and cash equivalents	\$ 3,294,000
Marketable securities (Note 2)	10,069,000
Accounts receivable:	
Trade, net of \$50,000 doubtful account allowance	1,694,000
Other	2,000
Inventories (Note 3)	2,505,000
Prepaid expenses	97,000
Deferred income taxes	113,000
	-----
Total Current Assets	\$17,774,000
Property and Equipment, net at cost	\$ 893,000
Other Assets	
Investment in Land Limited Partnership, at cost	200,000
Projects in process	46,000
Other	2,000
	-----
Total Other Assets	\$ 248,000
TOTAL ASSETS	\$18,915,000 =====

GEORGE RISK INDUSTRIES, INC.  
BALANCE SHEET  
JULY 31, 2003

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	
Accounts payable, trade	\$ 158,000
Accrued expenses	
Payroll and related expenses	230,000
Property taxes	2,000
Notes payable, current	195,000
Income taxes payable	332,000
	-----
Total Current Liabilities	\$ 917,000
Long-Term Liabilities	

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Notes payable	0
	-----
Total Long-Term Liabilities	\$ 0
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	(1,164,000)
Retained earnings	18,232,000
Less: cost of treasury stock, 3,100,304 shares, at cost	(1,763,000)
	-----
Total Stockholders' Equity	\$17,998,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$18,915,000
	=====

GEORGE RISK INDUSTRIES, INC.  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE THREE MONTHS ENDED

	July 31, 2003	July 31, 2002
	-----	-----
Net Sales	\$ 3,022,000	\$ 3,021,000
Less: cost of goods sold	(1,413,000)	(1,676,000)
	-----	-----
Gross Profit	\$ 1,609,000	\$ 1,345,000
Operating Expenses:		
General and administrative	167,000	160,000
Selling	547,000	587,000
Engineering	18,000	17,000
Rent paid to related parties	15,000	15,000
	-----	-----
Total Operating Expenses	\$ 747,000	\$ 779,000
Income From Operations	862,000	566,000
Other Income (Expense)		
Other	(5,000)	0
Dividend and interest income	87,000	83,000
Interest expense	0	0
Gain/(loss) on sale of assets	21,000	4,000
	-----	-----
	\$ 103,000	\$ 87,000
Income Before Provisions for Income Tax	965,000	653,000
Provisions for Income Tax	(402,000)	(272,000)
	-----	-----
Net Income	\$ 563,000	\$ 381,000
Retained Earnings, beginning of period	\$17,669,000	\$15,383,000

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Retained Earnings, end of period	\$18,232,000	\$15,764,000
Income Per Share of Common Stock	\$ .10	\$ .07
Weighted Average Number of Common Shares Outstanding	5,402,528	5,402,528

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

	July 31,	
	2003	2002
	-----	-----
Net Income	\$ 563,000	\$ 381,000
Other Comprehensive Income, net of tax		
Unrealized gain (loss) on securities:		
Unrealized holding gains (losses) arising during period	252,000	(380,000)
Reclassification adjustment for (gains) losses included in net income	(21,000)	(4,000)
Other Comprehensive Income	\$ 231,000	\$ (384,000)
Comprehensive Income (Loss)	\$ 794,000	\$ (3,000)
	=====	=====

GEORGE RISK INDUSTRIES, INC.  
STATEMENT OF CASH FLOWS

	For the three months ended	
	July 31,	
	2003	2002
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 563,000	\$ 381,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	34,000	64,000
Change in unrealized gain (loss) on investments	231,000	(384,000)
Changes in assets and liabilities:		
(Increase) decrease in:		
Marketable securities	(388,000)	(225,000)
Accounts receivable	(140,000)	385,000
Inventories	(75,000)	117,000
Prepaid expenses	39,000	6,000
Other assets	32,000	7,000
Receivables - officers and employees	1,000	0
Increase (decrease) in:		
Accounts payable	29,000	3,000
Accrued expenses	(52,000)	70,000
Income tax payable	402,000	272,000

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Net cash provided by (used in) operating activities	\$ 676,000	\$ 696,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Purchase) Sale of property and equipment	(41,000)	(22,000)
(Purchase) of treasury stock	0	0
Net cash provided by (used in) investing activities	\$ (41,000)	\$ (22,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(40,000)	(3,000)
Treasury stock issued	0	0
Net cash provided by (used in) financing activities	\$ (40,000)	\$ (3,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 595,000	\$ 671,000
Cash and cash equivalents, beginning of period	\$ 2,699,000	\$ 1,094,000
Cash and cash equivalents, end of period	\$ 3,294,000	\$ 1,765,000

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

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, 2003 and July 31, 2002:

Cost Basis	\$11,233,000	\$10,726,000
Market Value	10,069,000	8,914,000
Net Unrealized Gain (Loss)	\$ (1,164,000)	\$ (1,812,000)

Note 3 Inventories

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

Raw Materials	\$ 1,680,000	\$ 1,593,000
Work in Process	527,000	442,000
Finished Goods	275,000	272,000
Warehouse in England	93,000	74,000
	-----	-----
	\$ 2,575,000	\$ 2,381,000
Less: allowance for obsolete inventory	(70,000)	(70,000)
	-----	-----
Net Inventories	\$ 2,505,000	\$ 2,311,000
	=====	=====

### Note 4 Business Segments

The following is financial information relating to industry segments:

	For the quarter ended July 31,	
	2003	2002
	-----	-----
Net revenue:		
Pool alarm products	\$ 341,000	\$ 308,000
Keyboard products	161,000	171,000
Security alarm and other products	2,520,000	2,542,000
	-----	-----
Total net revenue	\$ 3,022,000	\$ 3,021,000
Income from operations:		
Pool alarm products	\$ 97,000	\$ 58,000
Keyboard products	46,000	32,000
Security alarm and other products	719,000	476,000
	-----	-----
Total income from operations	\$ 862,000	\$ 566,000
Identifiable assets:		
Pool alarm products	\$ 304,000	\$ 252,000
Keyboard products	234,000	365,000
Security alarm and other products	4,169,000	3,747,000
Corporate general	14,208,000	11,307,000
	-----	-----
Total assets	\$18,915,000	\$15,671,000
Depreciation and amortization:		
Pool alarm products	\$ 2,000	\$ 0
Keyboard products	1,000	2,000
Security alarm and other products	35,000	39,000
Corporate general	17,000	23,000
	-----	-----
Total depreciation and amortization	\$ 55,000	\$ 64,000
Capital expenditures:		
Pool alarm products	\$ 1,000	\$ 0
Keyboard products	0	0
Security alarm and other products	16,000	22,000

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Corporate general	6,000	0
	-----	-----
Total capital expenditures	\$ 23,000	\$ 22,000

### 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 earning per share, assuming convertible preferred stock was converted for each period presented, are:

	For the three months ended July 31, 2003		
	Income (Numerator)	Shares (Denominator)	Per-share Amount
	-----	-----	-----
Net Income	\$ 563,000		
	=====		
Basic EPS	\$ 563,000	5,402,528	\$ 0.10
Effect of dilutive securities:			
Convertible preferred stock	0	26,750	
	-----	-----	-----
Diluted EPS	\$ 563,000	5,429,278	\$ 0.10
	For the three months ended July 31, 2002		
	Income (Numerator)	Shares (Denominator)	Per-share Amount
	-----	-----	-----
Net Income	\$ 381,000		
	=====		
Basic EPS	\$ 381,000	5,402,528	\$ 0.07
Effect of dilutive securities:			
Convertible preferred stock	0	26,750	
	-----	-----	-----
Diluted EPS	\$ 381,000	5,429,278	\$ 0.07

GEORGE RISK INDUSTRIES, INC.

PART I. FINANCIAL INFORMATION

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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 Company's audited financial statements and discussion for the fiscal year ended April 30, 2003.

Net cash increased \$595,000 during the quarter ended July 31, 2003 as compared to an increase of \$671,000 during the corresponding quarter last year. Marketable securities increased \$388,000 for the quarter as compared to a \$225,000 increase for the corresponding quarter last year. We have been trying to not put much additional cash into the marketable securities, but instead we are trying to use the money already in the investment accounts to make smart investment choices. Inventories increased \$75,000 during the current quarter as compared to a \$117,000 decrease last year. Accounts receivable increased \$140,000 for the quarter ending July 31, 2003, as compared to a \$385,000 decrease for the same quarter last year. At the quarter ended July 31, 2003, 77.6% of the receivables are considered current (less than 45 days) and 3.8% of the total are over 90 days past due. At the quarter ended July 31, 2003 there was a \$32,000 decrease in other assets while at July 31, 2002, there was a \$7,000 decrease. We completed two molds by July 31, 2003, and that is the reason for the larger decrease in other assets when comparing the current year and last year.

At the quarter ended July 31, 2003, accounts payable shows a decrease of \$29,000 as compared to an increase of only \$3,000 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. Accrued expenses decreased \$52,000 for the current quarter as compared to a \$70,000 increase for the quarter ended July 31, 2002. This is due in part to the fact that we have fewer employees than we did at the same time last year. Income tax payable increased \$402,000 for the quarter ended July 31, 2003. This compares to an increase of \$272,000 for the quarter ended July 31, 2002. The difference of \$130,000 accounts for the fact that our net income is higher at the quarter ended July 31, 2003 than the quarter ended July 31, 2002.

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

	Qtr ended July 31, 2003	Qtr ended July 31, 2002
Working capital	\$ 16,857,000	\$ 13,991,000
Current ratio	19.383	23.068
Quick ratio	16.420	19.216
Cash per share (including marketable securities)	\$ 2.47	\$ 1.98
Equity per share	\$ 3.33	\$ 2.75



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Net sales were \$3,022,000 for the quarter ended July 31, 2003, which is a 1% increase from the corresponding quarter last year. Cost of goods sold was 46.8% of net sales for the quarter ended July 31, 2003 and the cost of goods sold percentage to net sales was 55.5% for the quarter ended July 31, 2002. Having relatively the same percentage of cost of goods sold from period to period shows that we keep our costs in line. But for the current fiscal year, we have been able to decrease our cost of materials and direct labor while sales have remained steady.

Operating expenses were 24.7% of net sales for the quarter ended July 31, 2003 as compared to 25.8% 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 about the same as they were last year, so management was able to cut back wages and staff. Income from operations for the quarter ended July 31, 2003 was at \$862,000, which is a 52.3% increase from the corresponding quarter last year, which had income from operations of \$566,000.

Other income and expenses showed a \$103,000 gain for the quarter ended July 31, 2003 as compared to having an \$87,000 gain for the quarter ended July 31, 2002. The main reason for the difference in the amount of the gains from one quarter to the other is that we have been able to sell off some of our investments for gains since the stock market has been doing better. In turn, net income for the quarter ended July 31, 2003 was at \$563,000, a 47.77% increase from the corresponding quarter last year, which showed a net income of \$381,000. Earnings per share for the quarter ended July 31, 2003 was \$0.10 per share and \$0.07 per share for the quarter ended July 31, 2002.

Our security sales division has obtained the "C E" Approval on our Therm-Stats, which allows us to sell these products in the European marketplace. We have also received a C.U.L. listing for our CC-01 current controller for selling in the Canadian market.

Sales has introduced the Box Tamper, the TS-01 and TSW-01 to replace our previous tamper. This product was wholly designed and manufactured internally whereas, the previous product was purchased outside.

Due to the continued interest in our product line of Temperature Sensors, we will soon have a fixed temperature sensor in house set for a 42 degree-trip mark. We will also market other set temperature sensors when the demand is large enough.

Research and development continues on the following new products: a humidity sensor for the Therm-Stats, flex sensors, a 4-door annunciator, high security switches, a glass break switch, a "clamp on" overhead door contact, and a 10-key keypad using our touch sensor technology. Engineering is redesigning our pool alarm to make use of our existing Programmable Relay Module, the PRM-1, which will reduce manufacturing costs.

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.

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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, 2003.

## 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 09-18-2003 By: /s/ Kenneth R. Risk  
Kenneth R. Risk, President and Chairman  
of the Board

Date 09-18-2003 By: /s/ Stephanie M. Risk  
Stephanie M. Risk, Chief Financial Officer  
and Controller

CERTIFICATION OF KEN R. RISK, PRESIDENT AND CHAIRMAN OF THE BOARD, PURSUANT TO RULE 13a-14 OF THE SECURITIES EXCHANGE ACT OF 1934

I, Ken R. Risk, certify that:

1. I have reviewed this quarterly report on Form 10QSB of George Risk Industries, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances

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under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant is made known to others, particularly during the period in which the quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 45 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the registrant's board of directors:
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weakness in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in the quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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

CERTIFICATION OF STEPHANIE M. RISK, CHIEF FINANCIAL OFFICER, PURSUANT TO RULE 13a-14 OF THE SECURITIES EXCHANGE ACT OF 1934

I, Stephanie M. Risk, certify that:

1. I have reviewed this quarterly report on Form 10QSB of George Risk Industries, Inc.;

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2. Based on my knowledge, this quarterly report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant is made known to us by others, particularly during the period in which the quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 45 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the registrant's board of directors:
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weakness in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in the quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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