RISK GEORGE INDUSTRIES INC
Form 10QSB
September 14, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

(Mark One)

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

For the quarter ended July 31, 2006

[ ] 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 September 14, 2006 was 5,342,213.

Transitional Small Business Disclosure Format: Yes [X] No [ ]

GEORGE RISK INDUSTRIES, INC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited financial statements for the three-month period ended July 31, 2006, are attached hereto.

GEORGE RISK INDUSTRIES, INC.
BALANCE SHEET
JULY 31, 2006

ASSETS

Current Assets	
Cash and cash equivalents	$ 6,098,000
Marketable securities (Note 2)	14,072,000
Accounts receivable:	
Trade, net of $50,000 doubtful account allowance	1,858,000
Inventories (Note 3)	2,398,000
Prepaid expenses	94,000
Deferred income taxes	345,000
Total Current Assets	$24,865,000
Property and Equipment, net at cost	$ 893,000
Other Assets	
Investment in Land Limited Partnership, at cost	200,000
Projects in process	45,000
Other	1,000
Total Other Assets	$ 246,000
TOTAL ASSETS	$26,004,000

GEORGE RISK INDUSTRIES, INC.
BALANCE SHEET
JULY 31, 2006

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	
Accounts payable, trade	$ 132,000
Dividends payable, current	91,000
Accrued expenses	
Payroll and other expenses	268,000
Property taxes	3,000
Income tax payable	122,000
Total Current Liabilities	$ 616,000
Long-Term Liabilities	
Notes payable	25,000

Deferred income taxes	112,000
Total Long-Term Liabilities	$ 137,000
Stockholders' Equity	
Convertible preferred stock, 1,000,000 shares authorized, Series 1 - noncumulative, $20 stated value, 25,000 shares authorized, 4,100 issued and outstanding	99,000
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	(158,000)
Retained earnings	24,794,000
Treasury stock, 3,160,619 shares, at cost	(2,070,000)
Total Stockholders' Equity	$25,251,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$26,004,000

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

	July 31, 2006	July 31, 2005
Net Sales	$ 3,411,000	$ 3,411,000
Less: cost of goods sold	(1,693,000)	(1,658,000)
Gross Profit	$ 1,718,000	$ 1,753,000
Operating Expenses:		
General and administrative	162,000	166,000
Selling	629,000	617,000
Engineering	15,000	19,000
Rent paid to related parties	15,000	15,000
Total Operating Expenses	$ 821,000	$ 817,000
Income From Operations	897,000	936,000
Other Income (Expense)		
Other	4,000	1,000
Dividend and interest income	128,000	105,000
Gain (loss) on sale of investments	(87,000)	24,000
	$ 45,000	$ 130,000
Income Before Provisions for Income Tax	942,000	1,066,000
Provisions for Income Tax		
Current expense	392,000	461,000
Deferred tax (benefit) expense	6,000	0
Total Income Tax Expense	$ 398,000	$ 461,000

Net Income	$ 544,000	$ 605,000
Retained Earnings, beginning of period	$24,250,000	$22,055,000
Retained Earnings, end of period	$24,794,000	$22,660,000
Income Per Share of Common Stock	$ .10	$ .11
Weighted Average Number of Common Shares Outstanding	5,343,596	5,373,437

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

	July 31, 2006	2005
Net Income	$ 544,000	$ 605,000
Other Comprehensive Income, net of tax		
Unrealized gain (loss) on securities:		
Unrealized holding gains (losses) arising during period	(120,000)	285,000
Reclassification adjustment for (gains) losses included in net income	87,000	(24,000)
Income tax expense related to other comprehensive income	(14,000)	109,000
Other Comprehensive Income (Loss)	$ (47,000)	$ 370,000
Comprehensive Income (Loss)	$ 497,000	$ 975,000

GEORGE RISK INDUSTRIES, INC.
STATEMENT OF CASH FLOWS

	For the three months ended July 31, 2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 544,000	$ 605,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	43,000	46,000
(Gain) loss on sale of investments	87,000	(24,000)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	280,000	38,000
Inventories	(128,000)	24,000
Prepaid expenses	18,000	(82,000)
Deferred tax asset	6,000	0
Increase (decrease) in:		

Accounts payable	(8,000)	35,000
Accrued expenses	(91,000)	(111,000)
Income tax payable	392,000	461,000
Net cash provided by (used in) operating activities	$ 1,143,000	$ 991,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Other assets manufactured	(15,000)	23,000
(Purchase) of property and equipment	(10,000)	(200,000)
Proceeds from sale of marketable securities	670,000	266,000
(Purchase) of marketable securities	(1,138,000)	(572,000)
(Purchase) of treasury stock	(39,000)	(128,000)
Net cash provided by (used in) investing activities	$ (532,000)	$ (611,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in short-term debt	0	100,000
Principal payments on short-term debt	(8,000)	(17,000)
Dividends paid	0	(4,000)
Net cash provided by (used in) financing activities	$ (8,000)	$ 79,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 603,000	$ 459,000
Cash and cash equivalents, beginning of period	$ 5,495,000	$ 5,451,000
Cash and cash equivalents, end of period	$ 6,098,000	$ 5,910,000

GEORGE RISK INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2006

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. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's April 30, 2006 annual report on Form 10KSB. 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

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. Realized gains and losses are determined on the average cost basis, and are included in the Company's statement of income. Unrealized gains and losses are excluded from earnings and reported separately as a component of stockholders' equity. Dividend and interest income are accrued as earned.

Marketable equity securities and related unrealized gains and losses consist of the following as of July 31, 2006:

Cost Basis	$ 14,230,000
Market Value	14,072,000
Net Unrealized Gains (Losses)	$ (158,000)
Gross unrealized gain	$ 551,000
Gross unrealized loss	$ (709,000)

In accordance with SFAS 115, if the Company determines that a marketable security has an other-than temporary decline in fair value, generally defined as when the cost basis exceeds the fair value for approximately one year, the Company will decrease the cost of the marketable security to the new fair value and recognize a realized loss. The investments are periodically evaluated to determine if impairment changes are required. As a result of this standard, management recorded impairment losses of $53,000 for the quarter ended July 31, 2006.

Note 3 Inventories

Inventories at July 31, 2006, consisted of the following:

Raw Materials	$ 1,476,000
Work in Process	553,000
Finished Goods	376,000
Warehouse in England	63,000
	$ 2,468,000
Less: allowance for obsolete inventory	(70,000)
Net Inventories	$ 2,398,000

Note 4 Business Segments

The following is financial information relating to industry segments:

	For the quarter ended July 31, 2006	2005
Net revenue:		
Pool alarm products	$ 311,000	$ 339,000
Keyboard products	188,000	163,000
Security alarm and other products	2,912,000	2,909,000
Total net revenue	$ 3,411,000	$ 3,411,000
Income from operations:		
Pool alarm products	$ 82,000	$ 93,000
Keyboard products	49,000	45,000
Security alarm and other products	766,000	798,000

Total income from operations	$ 897,000	$ 936,000
Identifiable assets:		
Pool alarm products	$ 286,000	$ 362,000
Keyboard products	224,000	226,000
Security alarm and other products	4,463,000	4,407,000
Corporate general	21,031,000	18,983,000
Total identifiable assets	$26,004,000	$23,978,000
Depreciation and amortization:		
Pool alarm products	$ 3,000	$ 3,000
Keyboard products	0	0
Security alarm and other products	30,000	29,000
Corporate general	10,000	14,000
Total depreciation and amortization	$ 43,000	$ 46,000
Capital expenditures:		
Pool alarm products	$ 0	$ 0
Keyboard products	0	0
Security alarm and other products	10,000	200,000
Corporate general	0	0
Total capital expenditures	$ 10,000	$ 200,000

Note 5 Revenue Recognition

Revenue is recognized when risks and benefits in ownership are transferred, which normally occurs at the time of the shipment of products.

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, 2006		
	Income (Numerator)	Shares (Denominator)	Per-share Amount
Net Income	$ 544,000		
Basic EPS	$ 544,000	5,342,213	$ 0.10
Effect of dilutive securities:			
Convertible preferred stock	0	20,500	
Diluted EPS	$ 544,000	5,362,713	$ 0.10

	For the three months ended July 31, 2005		
	Income (Numerator)	Shares (Denominator)	Per-share Amount

Net Income	$ 605,000		
Basic EPS	$ 605,000	5,362,253	$ 0.11
Effect of dilutive securities:			
Convertible preferred stock	0	20,500	
Diluted EPS	$ 605,000	5,382,753	$ 0.11

Note 7 Retirement Benefit Plan

On January 1, 1998, the Company adopted the George Risk Industries, Inc. Retirement Savings Plan (the "Plan"). The Plan is a defined contribution savings plan designed to provide retirement income to eligible employees of the corporation. The Plan is intended to be qualified under Section 401 (k) of the Internal Revenue Code of 1986, as amended. Matching contributions by the Company of approximately $4,000 were paid during each quarter ending July 31, 2006 and 2005. There were no discretionary contributions paid during the quarters ending July 31, 2006 and 2005, respectively.

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 consolidated financial statements, and with the Company's audited financial statements and discussion for the fiscal year ended April 30, 2006.

Net cash increased $603,000 during the quarter ended July 31, 2006 as compared to an increase of $459,000 during the corresponding quarter last year. Accounts receivable decreased $280,000 for the quarter ending July 31, 2006, as compared to a $38,000 decrease for the same quarter last year. At the quarter ended July 31, 2006, 77.05% of the receivables are considered current (less than 45 days) and 9.57% of the total are over 90 days past due. This is in comparison to having 66.09% of the receivables considered current and 13.0% over 90 days past due at July 31, 2005. Inventories increased $128,000 during the current quarter as compared to a $24,000 decrease last year. The main reason for the big increase during the quarter ended July 31, 2006 is that our finished goods inventory increased heartily, largely in part to a slow down in our sales. At the quarter ended July 31, 2006 there was an $18,000 decrease in prepaid expenses while at July 31, 2005, there was a $82,000 decrease. The main reason for the decrease in cash towards prepaid expenses is that we have not had to replenish our supply of Jelly Bellies yet in the first fiscal quarter. Jelly Bellies are GRI's adopted trademark. A package of jellybeans is put into every box that is shipped out and our samples department also sends out thousands every month.

At the quarter ended July 31, 2006, accounts payable shows a decrease of $8,000 as compared to an increase of $35,000 for the same quarter the year before. And, 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 $91,000 for the current quarter as compared to a $111,000 decrease for the quarter ended July 31, 2005. Income tax payable increased $392,000 for the quarter ended July 31, 2006. This compares to an increase of $461,000 for the quarter ended July 31, 2005. The smaller increase accounts for the fact that there is a slight decrease in profit for the first quarter of fiscal year end 2007 than there was for the first quarter fiscal year end 2006.

As for our investment activities, the Company has only spent approximately $10,000 for the current fiscal quarter. But in comparison to the corresponding quarter last year, there was activity of approximately $200,000. The bulk of this investment activity was that the Company purchased a building for the workers at our Gering, NE facility. The building cost $151,200 and is bigger than the facility that we were in before. This gives us an opportunity to expand and hire new employees. In conjunction with the purchase of this building, we have received grant and loan money from the City of Gering to help defray the cost of the building purchase. The Company has received $55,000 of the $80,000 that we have applied for. $30,000 of this money comes in the form of a grant in lieu of the remaining amount of rent on the original agreement the Company made with the City of Gering when the Company started the manufacturing facility in Gering. The other $25,000 is half of the $50,000 loan for a new agreement we have entered into with the City of Gering. This loan will be converted into a grant, contingent on increasing the number of workers at the Gering location over the next five years. The Company will receive the other $25,000 that is due from this loan on January 1, 2007, if certain conditions are met according to the contract with the City of Gering. Management believes that there should not be any problems with meeting all of the conditions of the new agreement. But, if the Company should be in default on this agreement, management foresees the risk as minimal as the Company would not have problem with paying back the loan since we are in such good financial position.

Also, the Company continues to put money into the marketable securities. We are taking a different approach to our investments than we have done in the past. Much of the new money that is being invested in marketable securities is going into a "money manager" brokerage account. 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 does not pay commission for each transaction. Instead, a quarterly service fee is paid based on the value of the assets. Also, with interest rates on the rise, the Company has purchased more bonds since they are a more attractive holding at this time. Furthermore, the Company continues to purchase back common stock when the opportunity arises. For the quarter ended July 31, 2006, the Company purchased $39,000 worth of treasury stock and $128,000 worth of treasury stock for the quarter ended July 31, 2005. We have been actively searching for stockholders that have been "lost" over the years. With this, and the payment of dividends over the last two fiscal years, has prompted many stockholders and/or their relatives and descendants to sell back their stock.

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

	For the quarter ended July 31, 2006	2005
Working capital	$ 24,249,000	$ 21,718,000
Current ratio	40.365	20.744
Quick ratio	35.760	18.616

Net sales were $3,411,000 for the quarter ended July 31, 2006, which is the same amount that was recorded for the corresponding quarter last year. Cost of goods sold was 49.6% of net sales for the quarter ended July 31, 2006 and the cost of goods sold percentage to net sales was 48.6% for the quarter ended July 31, 2005. Having relatively the same percentage of cost of goods sold from period to period shows that we keep our costs in line.

Operating expenses were 24.1% of net sales for the quarter ended July 31, 2006 as compared to 24.0% 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. Income from operations for the quarter ended July 31, 2006 was at $897,000, which is a 4.2% decrease from the corresponding quarter last year, which had income from operations of $936,000.

Other income and expenses showed a $45,000 gain for the quarter ended July 31, 2006 as compared to having a $130,000 gain for the quarter ended July 31, 2005. The main reason for the difference in the amount of the gains from one quarter to the other is that we had $53,000 worth of impaired investments that were realized as losses during the current quarter as compared to showing $24,000 worth of net gains on the sale of investments for the same period last year. We have reworked the way management examines the Company's marketable securities over the last year or so. We have put a good amount of the monies that are in the marketable securities account into "money manager" accounts. These accounts are looked after by an independent third party that are constantly being watched. We do not pay any commission on the trades that are done. Instead, a quarterly service fee is figured as a percentage of the total assets in the accounts. In turn, net income for the quarter ended July 31, 2006 was at $544,000, a 10.1% decrease from the corresponding quarter last year, which showed net income of $605,000. Earnings per share for the quarter ended July 31, 2006 were $0.10 per share and $0.11 per share for the quarter ended July 31, 2005.

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

As for new products, the new Pool Alarm board is complete and will be sent in for ETL certification in September 2006. The new board design will be more reliable and will use less parts when being assembled making them easier and faster to build. Pool Alarms continue to see sales growth as more states enact safety legislation aimed at preventing swimming pool accidents involving children. The United States Senate and Congress have both issued bills that would make it a Federal law to have some kind of an alarm or other safety measure at the entry into pools and spas. If this law passed, management foresees that sales of the Pool Alarm could grow exponentially.

GRI is also designed a product called the Emergency Button that could be used next to a swimming pool or in a freezer. If there is an emergency, such as a drowning or someone being locked in a freezer, the button could be pushed and it would cause the alarm systems to go off or it could be used with a dialer to call 911.

GRI is now offering mini raceway to complement our existing raceway line. The size is 3/8" x 3/8". This size is excellent to cover speaker wire or phone cords.

GRI continues to see growth in special order products. One example is a water sensor that was custom built with a connector on the wires for a major US company.

We are also seeing growth with electrical contractors through the sales of our Current Controller (pt #CC-01). This device can turn lights on in various areas when the door is opened. We are also offering a new Extreme Duty armored cable with a pull-apart switch for applications such as securing tractors, golf carts, or any items that are stored outside. This armored cable is strung through and round such items to secure them and the end is then wired into the security alarm panel.

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.

At George Risk Industries' latest Board of Director's meeting, which was held on August 31, 2006, a dividend of $0.15 per common share was declared. This is an increase of $.05 per share as compared to previous two dividend declarations. This dividend will be paid to stockholders of record as of September 30, 2006, and will be paid by October 31, 2006.

Item 3. Controls and Procedures

(a) Information required by Item 307

Our Chief Executive Officer and our Chief Financial Officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 (Exchange Act) Rules 13a-15(e) or 15d-15(e)) as of the end of the period covered by this quarterly report, have concluded that our disclosure controls and procedures are effective based on their evaluation of these controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

(b) Information required by Item 308

This disclosure is not yet required.

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. Exhibits

31. Certifications pursuant to Rule 13a-14(a)
    31.1 Certification of the Chief Executive Officer
    31.2 Certification of the Chief Financial Officer

32. Certifications pursuant to 18 U.S.C 1350
    32.1 Certification of the Chief Executive Officer
    32.2 Certification of the Chief Financial Officer

B. Reports on Form 8-K
No 8-K reports were filed during the quarter ended July 31, 2006

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 09-14-2006
By: /s/ Kenneth R. Risk
Kenneth R. Risk
President and Chairman of the Board

Date 09-14-2006
By: /s/ Stephanie M. Risk
Stephanie M. Risk
Chief Financial Officer and Controller