RISK GEORGE INDUSTRIES INC
Form 10QSB
September 14, 2007

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, 2007

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

For the transition period from ___________ to ___________

Commission File Number: 000-05378

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, 2007 was 5,334,878.

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, 2007, are attached hereto.

GEORGE RISK INDUSTRIES, INC.
BALANCE SHEETS

	July 31, 2007 (unaudited)	April 30, 2007
ASSETS		
Current Assets		
Cash and cash equivalents	$ 5,236,000	$ 4,611,000
Marketable securities (Note 2)	17,093,000	16,738,000
Accounts receivable:		
Trade, net of $50,000 doubtful account allowance	1,821,000	1,925,000
Other	4,000	3,000
Income tax overpayment	0	137,000
Inventories (Note 3)	2,931,000	3,060,000
Prepaid expenses	107,000	125,000
Deferred income taxes	216,000	115,000
Total Current Assets	$27,408,000	$26,714,000
Property and Equipment, net at cost	$ 874,000	$ 828,000
Other Assets		
Investment in Land Limited Partnership, at cost	200,000	200,000
Projects in process	70,000	75,000
Note receivable	60,000	60,000
Other	0	18,000
Total Other Assets	$ 330,000	$ 353,000
TOTAL ASSETS	$28,612,000	$27,895,000

GEORGE RISK INDUSTRIES, INC.
BALANCE SHEETS

	July 31, 2007 (unaudited)	April 30, 2007

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts payable, trade	$ 51,000	$ 127,000
Dividends payable	161,000	161,000
Accrued expenses		
Payroll and other expenses	266,000	337,000
Property taxes	2,000	0
Income tax payable	261,000	0
Total Current Liabilities	$ 741,000	$ 625,000
Long-Term Liabilities		
Notes payable	25,000	25,000
Deferred income taxes	65,000	74,000
Total Long-Term Liabilities	$ 90,000	$ 99,000
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	99,000
Common stock, Class A, $.10 par value, 10,000,000 shares authorized, 8,502,832 shares issued and outstanding	850,000	850,000
Additional paid-in capital	1,736,000	1,736,000
Accumulated other comprehensive income	(38,000)	165,000
Retained earnings	27,253,000	26,430,000
Treasury stock, 3,167,604 shares, at cost	(2,119,000)	(2,109,000)
Total Stockholders' Equity	$27,781,000	$27,171,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$28,612,000	$27,895,000

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

	July 31, 2007	2006
Net Sales	$ 3,239,000	$ 3,411,000
Less: cost of goods sold	(1,530,000)	(1,693,000)
Gross Profit	$ 1,709,000	$ 1,718,000
Operating Expenses:		
General and administrative	174,000	162,000
Selling	543,000	629,000
Engineering	21,000	15,000
Rent paid to related parties	16,000	15,000
Total Operating Expenses	$ 754,000	$ 821,000
Income From Operations	955,000	897,000
Other Income (Expense)		
Other	1,000	4,000

Dividend and interest income	205,000	128,000
Gain (loss) on sale of investments	96,000	(87,000)
	$ 302,000	$ 45,000
Income Before Provisions for Income Tax	1,257,000	942,000
Provisions for Income Tax		
Current expense	398,000	392,000
Deferred tax (benefit) expense	36,000	6,000
Total Income Tax Expense	$ 434,000	$ 398,000
Net Income	$ 823,000	$ 544,000
Retained Earnings, beginning of period	$26,430,000	$24,250,000
Retained Earnings, end of period	$27,253,000	$24,794,000
Income Per Share of Common Stock:		
Basic	$ .15	$ .10
Diluted	$ .15	$ .10
Weighted Average Number of Common Shares Outstanding:		
Common	5,335,666	5,343,596
Diluted	5,356,166	5,364,096

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

	July 31, 2007	July 31, 2006
Net Income	$ 823,000	$ 544,000
Other Comprehensive Income, net of tax		
Unrealized gain (loss) on securities:		
Unrealized holding gains (losses) arising during period	(203,000)	(120,000)
Reclassification adjustment for (gains) losses included in net income	(96,000)	87,000
Income tax expense related to other comprehensive income	(125,000)	(14,000)
Other Comprehensive Income (Loss)	$ (424,000)	$ (47,000)
Comprehensive Income (Loss)	$ 399,000	$ 497,000

GEORGE RISK INDUSTRIES, INC.
STATEMENT OF CASH FLOWS

For the three months

	ended July 31, 2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 823,000	$ 544,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	41,000	43,000
(Gain) loss on sale of investments	(96,000)	87,000
Deferred income taxes	36,000	6,000
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	104,000	280,000
Inventories	129,000	(128,000)
Prepaid expenses	18,000	18,000
Increase (decrease) in:		
Accounts payable	(76,000)	(8,000)
Accrued expenses	(69,000)	(91,000)
Income tax payable	398,000	392,000
Net cash provided by (used in) operating activities	$ 1,308,000	$ 1,143,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Other assets manufactured	23,000	(15,000)
(Purchase) of property and equipment	(87,000)	(10,000)
Proceeds from sale of marketable securities	1,443,000	670,000
(Purchase) of marketable securities	(2,052,000)	(1,138,000)
(Purchase) of treasury stock	(10,000)	(39,000)
Net cash provided by (used in) investing activities	$ (683,000)	$ (532,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on short-term debt	0	(8,000)
Net cash provided by (used in) financing activities	$ 0	$ (8,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 625,000	$ 603,000
Cash and cash equivalents, beginning of period	$ 4,611,000	$ 5,495,000
Cash and cash equivalents, end of period	$ 5,236,000	$ 6,098,000
Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Income taxes	$0	$0
Interest expense	$0	$0

GEORGE RISK INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2007

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, 2007 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, 2007:

Market Value	$ 17,094,000
Cost Basis	17,159,000
Net Unrealized Gains (Losses)	$ (65,000)
Gross unrealized gain	$ 627,000
Gross unrealized loss	$ (692,000)

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 $5,000 for the quarter ended July 31, 2007 and $53,000 for the quarter ended July 31, 2006.

Note 3 Inventories

Inventories at July 31, 2007, consisted of the following:

Raw Materials	$ 1,747,000
Work in Process	893,000
Finished Goods	396,000
	$ 3,036,000
Less: allowance for obsolete inventory	(105,000)

Net Inventories	$ 2,931,000

Note 4 Business Segments

The following is financial information relating to industry segments:

	For the quarter ended July 31, 2007	2006
Net revenue:		
Pool alarm products	$ 187,000	$ 311,000
Keyboard products	380,000	188,000
Security alarm and other products	2,672,000	2,912,000
Total net revenue	$ 3,239,000	$ 3,411,000
Income from operations:		
Pool alarm products	$ 55,000	$ 82,000
Keyboard products	112,000	49,000
Security alarm and other products	788,000	766,000
Total income from operations	$ 955,000	$ 897,000
Identifiable assets:		
Pool alarm products	$ 248,000	$ 286,000
Keyboard products	362,000	224,000
Security alarm and other products	4,925,000	4,463,000
Corporate general	23,077,000	21,031,000
Total assets	$28,612,000	$26,004,000
Depreciation and amortization:		
Pool alarm products	$ 3,000	$ 3,000
Keyboard products	0	0
Security alarm and other products	30,000	30,000
Corporate general	8,000	10,000
Total depreciation and amortization	$ 41,000	$ 43,000
Capital expenditures:		
Pool alarm products	$ 0	$ 0
Keyboard products	0	0
Security alarm and other products	82,000	10,000
Corporate general	0	0
Total capital expenditures	$ 82,000	$ 10,000

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, 2007		
	Income (Numerator)	Shares (Denominator)	Per-share Amount
Net Income	$ 823,000		
Basic EPS	$ 823,000	5,335,666	$ 0.15
Effect of dilutive securities:			
Convertible preferred stock	0	20,500	
Diluted EPS	$ 823,000	5,356,166	$ 0.15

	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

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, 2007 and 2006. There were no discretionary contributions paid during the quarters ending July 31, 2007 and 2006, 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, 2007.

Net cash increased $625,000 during the quarter ended July 31, 2007 as compared to an increase of $603,000 during the corresponding quarter last year. Accounts receivable decreased $103,000 for the quarter ending July 31, 2007, as compared to a $280,000 decrease for the same quarter last year. The reason for the decrease in cash flow towards accounts receivable is two fold. First, the Company is collecting the receivables at a faster rate than the same period last year and secondly, sales have decreased. At the quarter ended July 31, 2007, 78.14% of the receivables are considered current (less than 45 days) and 7.37% of the total are over 90 days past due. This is in comparison to having 77.05% of the receivables considered current and 9.57% over 90 days past due at July 31, 2006. Inventories decreased $129,000 during the current quarter as compared to a $128,000 increase last year. The main reason for the decrease in cash flow towards inventory during the quarter ended July 31, 2007 is that our sales have decreased and management has adjusted its purchasing practices accordingly. At the quarter ended July 31, 2007 there was an $18,000 decrease in prepaid expenses, while at July 31, 2006, there was also a $18,000 decrease.

At the quarter ended July 31, 2007, accounts payable shows a decrease of $76,000 as compared to a decrease of $8,000 for the same quarter the year before. And, as stated before, the Company's sales are down and management has reduced some purchases of raw materials. Accrued expenses decreased $64,000 for the current quarter as compared to a $91,000 decrease for the quarter ended July 31, 2006. Because sales are down, commissions are also down. This is reflected in the accrued expenses. Income tax payable increased $398,000 for the quarter ended July 31, 2007. This compares to an increase of $392,000 for the quarter ended July 31, 2006. The larger increase accounts for the fact that profit is up for the first quarter of fiscal year end 2008 when comparing the same quarter for fiscal year end 2007.

As for our investment activities, the Company has spent approximately $87,000 on acquisitions of property and equipment for the current fiscal quarter. But in comparison to the corresponding quarter last year, there was activity of only $10,000. One piece of machinery management purchased in the quarter ended July 31, 2007 is a Pick and Place machine. This machine aids us in the production of our pool alarms. The pool alarm has been redesigned and this piece of equipment allows us to manufacture the new pool alarms. By redesigning the pool alarm, the Company is able to use less parts and labor on these products. Additionally, the Company continues to put money into the marketable securities. Much of this has been gone towards the purchase of municipal bonds. Most brokers and analysts believe that interest rates will be lowered in light of the problems that the housing and mortgage industries are currently facing. The idea in purchasing bonds at this time is that the Company can lock-in the higher interest rates, before the rates are reduced. We continue the use of our "money manager" accounts. 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. Approximately 23% of the Company's marketable securities are invested in the money manager accounts. Furthermore, the Company continues to purchase back common stock when the opportunity arises.

For the quarter ended July 31, 2007, the Company purchased $10,000 worth of treasury stock and $39,000 worth of treasury stock for the quarter ended July 31, 2006. We have been actively searching for stockholders that have been "lost" over the years. The payment of dividends over the last three fiscal years has also prompted many stockholders and/or their relatives and descendants to sell back their stock to the Company.

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

	For the quarter ended July 31, 2007	2006
Working capital	$ 26,667,000	$ 24,249,000
Current ratio	36.988	40.365
Quick ratio	32.591	35.760

Net sales were $3,239,000 for the quarter ended July 31, 2007, which is a decrease of 5.04% from the corresponding quarter last year. Net sales for the quarter ended July 31, 2006 were $3,411,000. As stated before, the majority of the Company's products are tied to the housing market. The decline in sales for the company is a direct result of the decline in the housing market of late. Cost of goods sold was 47.2% of net sales for the quarter ended July 31, 2007 and the cost of goods sold percentage to net sales was 49.6% for the quarter ended July 31, 2006. Having relatively the same percentage of cost of goods sold from period to period shows that we keep our costs in line. As a result of the slow down in sales, management has compensated by taking extra effort in keeping labor and other manufacturing expenses down.

Operating expenses were 23.3% of net sales for the quarter ended July 31, 2007 as compared to 24.1% 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. Specifically, selling expense has decreased 13.7% for the quarter ending July 31, 2007. This is a result of the decrease in sales because commissions are less when comparing the same numbers to the corresponding quarter last year. Income from operations for the quarter ended July 31, 2007 was at $955,000, which is a 6.5% increase from the corresponding quarter last year, which had income from operations of $897,000.

Other income and expenses showed a $302,000 gain for the quarter ended July 31, 2007 as compared to only having a $45,000 gain for the quarter ended July 31, 2006. The main reason for the difference in the amount of the gains from one quarter to the other is that our managed accounts had sold many stocks for gains during the current quarter. Also, management had $48,000 less to book in impaired investments. In turn, net income for the quarter ended July 31, 2007 was at $823,000, a 51.3% increase from the corresponding quarter last year, which showed net income of $544,000. Earnings per share for the quarter ended July 31, 2007 were $0.15 per common share and $0.10 per common share for the quarter ended July 31, 2006.

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, a new self-contained water leak detector has just started production this last month. This detector is perfect for the homeowner as it contains a built in sounder and can run off of a 9-volt battery or the alarm panel. It can be mounted on a wall or directly to an appliance where water damage may occur. Sales of this product are expected to be fair, but management is looking at marketing this product to larger retail outlets, which could increase sales immensely. Engineering is currently developing a version of this leak detector for the United Kingdom. The need for this kind of product has come about as a result of flooding in that country over the past summer.

Due to popular demand, our 189 open loop series pool alarm is being brought back into production. The 189-series pool alarm was discontinued several years ago, due to minimal sales. The open loop feature is being designed on the new pool alarm circuit board with the 289-series closed loop. The installer will be able to use it either open or closed with a simple jumper pin change. The purchase of the pick and place machine, as discussed earlier, allows us to make this interchangeable circuit pool alarm.

The wireless pool alarm and wireless contact switch designs are nearing completion. These products will have to be submitted to the FCC for approval. Also, work on the various molds to manufacture these wireless products is being done. Production on these wireless products is expected to begin in the spring of 2008

A new version of our Glass Guard window sensor is in its final stages of development. Management has created this sensor in direct response to customer feedback about how our offshore competitors have long delays in delivering this type of product.

Research and Development continues on the Pump Guard, a water valve controller and other wireless sensors. Specific research and development is being done for the wireless sensor market in Iceland. Engineering is also upgrading the CC-01 Current Controller. The CC-01 is used to automatically turn on closed and/or cabinet lights when the door is opened. The new version will be able to handle more current and inductive load and is currently at UL for approval.

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 September 6, 2007, a dividend of $0.17 per common share was declared. This is an increase of $.02 per share over the last dividend declaration. This dividend will be paid to stockholders of record as of September 30, 2007, and will be paid by October 31, 2007.

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.

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. 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, 2007

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 09-14-2007	By: /s/ Kenneth R. Risk Kenneth R. Risk President and Chairman of the Board
Date 09-14-2007	By: /s/ Stephanie M. Risk Stephanie M. Risk Chief Financial Officer and Controller