RISK GEORGE INDUSTRIES INC
Form 10-Q
December 12, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

# FORM 10-Q

(Mark One)

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

For the quarter ended October 31, 2014

[ ] 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.<br>Kimball, NE | 69145 |
| (Address of principal executive offices) | (Zip Code) |

(308) 235-4645
(Registrant's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [ X ] No [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act. Yes [ ] No [ X ]

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of shares of the Registrant's Common Stock outstanding, as of December 11, 2014 was 5,029,575.

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 and six month period ended October 31, 2014, are attached hereto.

GEORGE RISK INDUSTRIES, INC.
CONDENSED BALANCE SHEETS

| | October 31, 2014 (unaudited) | April 30, 2014 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 5,511,000 | $ 5,872,000 |
| Investments and securities | 24,514,000 | 23,904,000 |
| Accounts receivable: | | |
| Trade, net of $0 and $4,588 doubtful account allowance | 2,052,000 | 2,034,000 |
| Other | 6,000 | 3,000 |
| Inventories, net | 2,274,000 | 2,233,000 |
| Prepaid expenses | 98,000 | 132,000 |
| Total Current Assets | $34,455,000 | $34,178,000 |
| Property and Equipment, net, at cost | 665,000 | 625,000 |
| Other Assets | | |
| Investment in Limited Land Partnership, at cost | 253,000 | 238,000 |
| Projects in process | 59,000 | 41,000 |
| Other | 1,000 | 1,000 |
| Total Other Assets | $ 313,000 | $ 280,000 |
| TOTAL ASSETS | $35,433,000 | $35,083,000 |

See accompanying notes to the condensed financial statements.

GEORGE RISK INDUSTRIES, INC.
CONDENSED BALANCE SHEETS

| | October 31, 2014 | April 30, 2014 |
|---|---|---|
| | (unaudited) | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts payable, trade | $ 169,000 | $ 109,000 |
| Dividends payable | 1,099,000 | 953,000 |
| Accrued expenses: | | |
| Payroll and related expenses | 305,000 | 278,000 |
| Income tax payable | 44,000 | 75,000 |
| Deferred income taxes | 760,000 | 769,000 |
| Total Current Liabilities | $ 2,377,000 | $ 2,184,000 |
| Long-Term Liabilities | | |
| Deferred income taxes | 123,000 | 100,000 |
| Total Long-Term Liabilities | $ 123,000 | $ 100,000 |
| 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, 8,502,881 shares issued and outstanding | 850,000 | 850,000 |
| Additional paid-in capital | 1,736,000 | 1,736,000 |
| Accumulated other comprehensive income | 1,215,000 | 1,222,000 |
| Retained earnings | 32,561,000 | 32,417,000 |
| Treasury stock, 3,473,306 and 3,472,706 shares, at cost | (3,528,000) | (3,525,000) |
| Total Stockholders' Equity | $32,933,000 | $32,799,000 |
| TOTAL LIABILITES AND STOCKHOLDERS' EQUITY | $35,433,000 | $35,083,000 |

See the companying notes to the condensed financial statements.

GEORGE RISK INDUSTRIES, INC.
CONDENSED INCOME STATEMENTS
(Unaudited)

| | Three months ended October 31, 2014 | Six months ended October 31, 2014 | Three months ended October 31, 2013 | Six months ended October 31, 2013 |
|---|---|---|---|---|
| Net Sales | $ 3,020,000 | $ 6,019,000 | $ 2,920,000 | $ 5,590,000 |
| Less: cost of goods sold | (1,288,000) | (2,802,000) | (1,308,000) | (2,592,000) |

| | | | | |
|---|---|---|---|---|
| Gross Profit | $ 1,732,000 | $ 3,217,000 | $ 1,612,000 | $ 2,998,000 |
| Operating Expenses: | | | | |
| General and administrative | 218,000 | 412,000 | 177,000 | 361,000 |
| Sales | 463,000 | 956,000 | 423,000 | 883,000 |
| Engineering | 21,000 | 41,000 | 13,000 | 25,000 |
| Rent paid to related parties | 5,000 | 9,000 | 5,000 | 10,000 |
| Total Operating Expenses | $ 707,000 | $ 1,418,000 | $ 618,000 | $ 1,279,000 |
| Income From Operations | 1,025,000 | 1,799,000 | 994,000 | 1,719,000 |
| Other Income (Expense) | | | | |
| Other | 0 | 1,000 | 0 | 2,000 |
| Dividend and interest income | 136,000 | 289,000 | 141,000 | 307,000 |
| Gain (loss) on investments | 128,000 | 265,000 | 121,000 | 139,000 |
| Gain (loss) on sale of assets | 0 | 0 | 127,000 | 127,000 |
| | $ 264,000 | $ 555,000 | $ 389,000 | $ 575,000 |
| Income Before Provisions for Income Tax | 1,289,000 | 2,354,000 | 1,383,000 | 2,294,000 |
| Provisions for Income Tax | | | | |
| Current expense | (233,000) | (583,000) | (413,000) | (699,000) |
| Deferred tax benefit (expense) | (35,000) | (18,000) | 13,000 | 62,000 |
| Total Income Tax Expense | $ (268,000) | $ (601,000) | $ (400,000) | $ (637,000) |
| Net Income | $ 1,021,000 | $ 1,753,000 | $ 983,000 | $ 1,657,000 |
| Cash Dividends | | | | |
| Common Stock ($0.32 per share) | $(1,609,000) | $(1,609,000) | | |
| Common Stock ($0.30 per share) | | | $(1,510,000) | $(1,510,000) |
| Income Per Share of Common Stock: | | | | |
| Basic | $0.20 | $0.35 | $0.20 | $0.33 |
| Assuming Dilution | $0.20 | $0.35 | $0.19 | $0.33 |
| Weighted Average Number of Common Shares Outstanding: | | | | |
| Basic | 5,029,642 | 5,029,776 | 5,032,109 | 5,032,976 |

See the accompanying notes to the condensed financial statements.

GEORGE RISK INDUSTRIES, INC.
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

| | Three months ended | Six months ended | Three months ended | Six months ended |
|---|---|---|---|---|

| | October 31, 2014 | October 31, 2014 | October 31, 2013 | October 31, 2013 |
|---|---|---|---|---|
| Net Income | $ 1,021,000 | $ 1,753,000 | $ 983,000 | $ 1,657,000 |
| Other Comprehensive Income, net of tax | | | | |
| Unrealized gain (loss) on securities: | | | | |
| Unrealized holding gains (losses) arising during period | 366,000 | 639,000 | 565,000 | 532,000 |
| Reclassification adjustment for gains (losses) included in net income | (503,000) | (649,000) | (102,000) | (94,000) |
| Income tax benefit (expense) related to other comprehensive income | 57,000 | 4,000 | (194,000) | (183,000) |
| Other Comprehensive Income | $ (80,000) | $ (6,000) | $ 269,000 | $ 255,000 |
| Comprehensive Income | $ 941,000 | $ 1,747,000 | $ 1,252,000 | $ 1,912,000 |

See accompanying notes to the condensed financial statements.

GEORGE RISK INDUSTRIES, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Six months ended October 31, 2014 | Six months ended October 31, 2013 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | $ 1,753,000 | $ 1,657,000 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 71,000 | 76,000 |
| (Gain) loss on sale of investments | (265,000) | (139,000) |
| (Gain) loss on sales of assets | 0 | (127,000) |
| Reserve for bad debts | (5,000) | 3,000 |
| Reserve for obsolete inventory | 10,000 | 40,000 |
| Deferred income taxes | 19,000 | (61,000) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | (14,000) | 11,000 |
| Inventories | (51,000) | (9,000) |
| Prepaid expenses | 35,000 | (45,000) |
| Other receivables | (3,000) | 0 |
| Income tax overpayment | 0 | 164,000 |
| Increase (decrease) in: | | |
| Accounts payable | 60,000 | 73,000 |
| Accrued expenses | 27,000 | (46,000) |
| Income tax payable | (31,000) | 0 |
| Net cash provided by (used in) operating activities | $ 1,606,000 | $ 1,597,000 |

| | | |
|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Other assets manufactured | (18,000) | 4,000 |
| Proceeds from sale of assets | 0 | 127,000 |
| (Purchase) of property and equipment | (111,000) | (45,000) |
| Proceeds from sale of marketable securities | 21,000 | 2,000 |
| (Purchase) of marketable securities | (377,000) | (229,000) |
| (Purchase) of long-term investment | (15,000) | 0 |
| Collections of loans to employees | 0 | 3,000 |
| (Purchase) of treasury stock | (4,000) | (24,000) |
| Net cash provided by (used in) investing activities | $ (504,000) | $ (162,000) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Dividends paid | (1,463,000) | (1,372,000) |
| Net cash provided by (used in) financing activities | $(1,463,000) | $(1,372,000) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | $ (361,000) | $ 63,000 |
| Cash and cash equivalents, beginning of period | $ 5,872,000 | $ 4,859,000 |
| Cash and cash equivalents, end of period | $ 5,511,000 | $ 4,922,000 |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash payments for: | | |
| Income taxes | $ 610,000 | $ 530,000 |
| Interest expense | $ 0 | $ 8,000 |
| Cash receipts for: | | |
| Income taxes | $ 0 | $ 0 |

See accompanying notes to the condensed financial statements.

GEORGE RISK INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2014

Note 1 Unaudited Interim Financial Statements

The accompanying financial statements have been prepared in accordance with the instructions for Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles 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, 2014 annual report on Form 10-K. 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, corporate bonds, state and municipal debt securities, real estate investment trusts, and money markets funds. The investments in securities are classified as available-for-sale securities, and are reported at fair value. Available-for-sale investments in debt securities mature between January 2015 and November 2048. The Company uses the average cost method to determine the cost of securities sold and the amount reclassified out of accumulated other comprehensive income into earnings. Unrealized gains and losses are excluded from earnings and reported separately as a component of stockholders' equity. Dividend and interest income are reported as earned.

As of October 31, 2014, investments available-for-sale consisted of the following:

| | Cost Basis | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Municipal bonds | $ 6,550,000 | $ 132,000 | $ (59,000) | $ 6,623,000 |
| Corporate bonds | $ 30,000 | $ 1,000 | $ -- | $ 31,000 |
| REITs | $ 56,000 | $ 8,000 | $ (2,000) | $ 62,000 |
| Equity securities | $12,674,000 | $ 2,161,000 | $ (133,000) | $14,702,000 |
| Money markets | $ 3,096,000 | $ -- | $ -- | $ 3,096,000 |
| Total | $22,406,000 | $ 2,302,000 | $ (194,000) | $24,514,000 |

In accordance with US GAAP, the Company evaluates all marketable securities for other-than temporary declines in fair value, which are defined as when the cost basis exceeds the fair value for approximately one year. The Company also evaluates the nature of the investment, cause of impairment and number of investments that are in an unrealized position. When an "other-than-temporary" decline is identified, the Company will decrease the cost of the marketable security to the new fair value and recognize a real loss. The investments are periodically evaluated to determine if impairment changes are required. As a result of this standard, management did record an impairment loss of $8,000 for the quarter ended October 31, 2014. Likewise, as for the corresponding period last year, management recorded an $18,000 impairment loss for the six months ended October 31, 2013.

The following table shows the investments with unrealized losses that are not deemed to be "other-than-temporarily impaired", aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at October 31, 2014.

| | Less than 12 months | | 12 months or greater | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Municipal bonds | $1,411,000 | $ (27,000) | $ 737,000 | $ (55,000) | $ 2,148,000 | $ (82,000) |
| Equity securities | $1,276,000 | $ (82,000) | $ 356,000 | $ (32,000) | $ 1,632,000 | $ (114,000) |
| Total | $2,687,000 | $ (109,000) | $1,093,000 | $ (87,000) | $ 3,780,000 | $ (196,000) |

### Municipal Bonds

The unrealized losses on the Company's investments in municipal bonds were caused by interest rate increases. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost of the investment. Because the Company has the ability to hold these investments until a recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at October 31, 2014.

### Marketable Equity Securities

The Company's investments in marketable equity securities consist of a wide variety of companies. Investments in these companies include growth, growth income, and foreign investment objectives. The individual holdings have been evaluated, and due to management's plan to hold onto these investments for an extended period, the company does not consider these investments to be other-than-temporarily impaired at October 31, 2014.

## Note 3 Inventories

At October 31, 2014, inventories consisted of the following:

| | |
|---|---|
| Raw Materials | $ 1,662,000 |
| Work in Process | 475,000 |
| Finished Goods | 329,000 |
| | $ 2,466,000 |
| Less: allowance for obsolete inventory | (192,000) |
| Net Inventories | $ 2,274,000 |

## Note 4 Business Segments

The following is financial information relating to industry segments:

| | For the quarter ended October 31, 2014 | 2013 |
|---|---|---|
| Net revenue: | | |
| Security alarm products | 2,562,000 | 2,494,000 |
| Other products | 458,000 | 426,000 |
| Total net revenue | $ 3,020,000 | $ 2,920,000 |
| Income from operations: | | |
| Security alarm products | 869,000 | 849,000 |
| Other products | 156,000 | 145,000 |
| Total income from operations | $ 1,025,000 | $ 994,000 |
| Identifiable assets: | | |

| | | |
|---|---|---|
| Security alarm products | 3,994,000 | 3,690,000 |
| Other products | 885,000 | 804,000 |
| Corporate general | 30,554,000 | 28,626,000 |
| Total assets | $35,433,000 | $33,120,000 |
| Depreciation and amortization: | | |
| Security alarm products | 3,000 | 4,000 |
| Other products | 29,000 | 29,000 |
| Corporate general | 6,000 | 5,000 |
| Total depreciation and amortization | $ 38,000 | $ 38,000 |
| Capital expenditures: | | |
| Security alarm products | 0 | 3,000 |
| Other products | 87,000 | 20,000 |
| Corporate general | 12,000 | 0 |
| Total capital expenditures | $ 99,000 | $ 23,000 |

Note 5 Earnings per Share

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

| | For the three months ended October 31, 2014 | | |
|---|---|---|---|
| | Income (Numerator) | Shares (Denominator) | Per-share Amount |
| Net Income | $1,021,000 | | |
| Basic EPS | $1,021,000 | 5,029,642 | $ 0.20 |
| Effect of dilutive securities: | | | |
| Convertible preferred stock | 0 | 20,500 | |
| Diluted EPS | $1,021,000 | 5,050,142 | $ 0.20 |

| | For the six months ended October 31, 2014 | | |
|---|---|---|---|
| | Income (Numerator) | Shares (Denominator) | Per-share Amount |
| Net Income | $1,753,000 | | |
| Basic EPS | $1,753,000 | 5,029,776 | $ 0.35 |
| Effect of dilutive securities: | | | |
| Convertible preferred stock | 0 | 20,500 | |
| Diluted EPS | $1,753,000 | 5,050,276 | $ 0.35 |

For the three months ended October 31, 2013

| | Income (Numerator) | Shares (Denominator) | Per-share Amount |
|---|---|---|---|
| Net Income | $ 983,000 | | |
| Basic EPS | $ 983,000 | 5,032,109 | $ 0.20 |
| Effect of dilutive securities: | | | |
| Convertible preferred stock | 0 | 20,500 | |
| Diluted EPS | $ 983,000 | 5,052,609 | $ 0.19 |

For the six months ended October 31, 2013

| | Income (Numerator) | Shares (Denominator) | Per-share Amount |
|---|---|---|---|
| Net Income | $1,657,000 | | |
| Basic EPS | $1,657,000 | 5,032,976 | $ 0.33 |
| Effect of dilutive securities: | | | |
| Convertible preferred stock | 0 | 20,500 | |
| Diluted EPS | $1,657,000 | 5,053,476 | $ 0.33 |

## Note 6 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 $2,000 were paid during the quarter ending October 31, 2014 and $2,000 was paid during the corresponding quarter the prior fiscal year. Likewise, the Company paid matching contributions of approximately $5,000 during the six-month period ending October 31, 2014 and $5,000 during the six-month period ending October 31, 2013. There were no discretionary contributions paid during either the quarters or six-month periods ending October 31, 2014 and 2013, respectively.

## Note 7 Fair Value Measurements

Generally accepted accounting principles in the United States of America (US GAAP) defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, we consider the principal or most advantageous market in which we would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

US GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The levels of the fair value hierarchy under US GAAP are described below:

- Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets.

- Level 2 - Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

- Level 3 - Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

## Marketable Securities

As of October 31, 2014, our investments consisted of money markets, publicly traded equity securities as well as certain state and municipal debt securities. Our marketable securities are valued using third-party broker statements. The value of the majority of securities is derived from quoted market information. The inputs to the valuation are generally classified as Level 1 given the active market for these securities, however, if an active market does not exist, which is the case for municipal and corporate bonds, the inputs are recorded at Level 2.

## Fair Value Hierarchy

The following tables set forth our assets and liabilities measured at fair value on a recurring basis and a non-recurring basis by level within the fair value hierarchy. As required by US GAAP, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

| | Assets Measured at Fair Value on a Recurring Basis as of October 31, 2014 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Municipal Bonds | $ -- | $ 6,623,000 | $ -- | $ 6,623,000 |
| Corporate Bonds | $ 31,000 | $ -- | $ -- | $ 31,000 |
| REITs | $ 62,000 | $ -- | $ -- | $ 62,000 |
| Equity Securities | $14,702,000 | $ -- | $ -- | $14,702,000 |
| Money Markets | $ 3,096,000 | $ -- | $ -- | $ 3,096,000 |
| Total fair value of assets measured on a recurring basis | $17,891,000 | $ 6,623,000 | $ -- | $24,514,000 |

## Note 8 Subsequent Events

None

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

This Quarterly Report on Form 10-Q, includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), which are subject to the "safe harbor" created by those sections. Any statements herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as "may," "will," "could," "would," "should," "anticipate," "expect," "intend," "believe," "estimate," "project" or "continue," and the negatives of such terms are intended to identify forward-looking statements. The information included herein represents our estimates and assumptions as of the date of this filing. Unless required by law, we undertake no obligation to update publicly any forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

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, 2014.

Executive Summary
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The Company's performance remains steady through the first and second quarters, showing strong sales and investment returns. Challenges in the coming months continue to include the burden of regulatory requirements of the Affordable Care Act, and the increase in the minimum wage requirements, as well as selection and implementation of new hardware and software systems which will enhance productivity and communication throughout the organization.

Results of Operations
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* Net sales showed a 7.67% increase year-to-date over the same period in

the prior year due to strong sales of our E-Z Duct line and the Company's ongoing commitment to outstanding customer service.

* Cost of goods sold remained steady throughout the six months ended October 31, 2014 at 46.55% of sales, compared to 46.37% in the prior year, keeping well within the target of less than 50%.

* Operating expenses were up approximately $139,000 for the period ended October 31, 2014 as compared to the corresponding period last year. These costs are primarily due to new product development and increased commissions directly related to the increase in sales. The Company has been able to keep the operating expenses at less than 30% of net sales over the last several years; however, the effects of the Affordable Care Act and the State of Nebraska regulatory increase in the minimum wage continue to provide concerns regarding the ability to maintain this pattern.

* Income from operations for the six months ended October 31, 2014 was at $1,799,000, a 4.65% increase from the corresponding period last year, which had income from operations of $1,719,000.

* Other income and expenses were consistent when comparing to the current six month period the prior year, with only a slight decrease of approximately $20,000 in the current year. The majority of activity in these accounts consists of investment interest, dividends, and gain or loss on sale of investments.

* Overall net income for the six month period ended October 31, 2014 was up $96,000, or 5.79%, from the same period in the prior year.

* Earnings per share for the six months ended October 31, 2014 were $0.35 per common share and $0.33 per common share for the same period in the prior year.

## Liquidity and capital resources

### Operating

* Net cash decreased $361,000 during the six months ended October 31, 2014 as compared to an increase of $63,000 during the corresponding period last year.

* Accounts receivable increased $14,000 for the six months ended October 31, 2014 compared with an $11,000 decrease for the same period last year. No accounts over 90 days were found to be uncollectible.

* Inventories increased during the current and prior six month periods showing an increase of $51,000 in the current period compared to a $9,000 increase in the prior period. These increases are attributable to the increasing sales trend over the same periods and some vendors' price increases.

* Prepaid expenses saw a $35,000 decrease for the current six months, primarily due to a large receipt of goods that had been prepaid upon order. Conversely, the prior six months showed a $45,000 increase in prepaid expenses.

* There was no income tax overpayment for the period ended October 31, 2014, while there was a decrease of $164,000 for the same period the prior year.

* Accounts payable shows increases for both six month periods at $60,000 and $73,000, respectively. The company strives to pay all invoices within terms, and the variance in increases is primarily due to the timing of receipt of products and payment of invoices.

* Accrued expenses increased $27,000 for the current six month period as compared to a $46,000 decrease for the six month period ended October 31, 2013.

Investing
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* As for our investment activities, the Company spent approximately $111,000 on acquisitions of property and equipment for the current six month period, in comparison with the corresponding six months last year, where there was activity of $45,000. In addition, the company capitalized $10,000 worth of assets manufactured on site.

* Additionally, the Company continues to purchase marketable securities, which include municipal bonds and quality stocks. During the six month period ended October 31, 2014 there was quite of bit of buy/sell activity in the investment accounts. Net cash spent on purchases of marketable securities for the six month period ended October 31, 2014 was $377,000 compared to $229,000 spent in the prior six month period. We continue to use "money manager" accounts for most stock transactions. 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 pays a quarterly service fee based on the value of the investments.

* Furthermore, the Company continues to purchase back common stock when the opportunity arises. For the six month period ended October 31, 2014, the Company purchased $4,000 worth of treasury stock, as compared to $24,000 in the same six months period the prior year.

Financing
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* Cash flows from financing activities decreased by $1,463,000 for the six months ending October 31, 2014. That figure consists of the payment of dividends during the second quarter. The company declared a dividend of $0.32 per share of common stock on September 30, 2014 and these dividends were paid by October 31, 2014. As for the prior year numbers, net cash used in financing activities was $1,372,000 for the six months ending October 31, 2013. A dividend of $0.30 per common share was declared and paid during the second fiscal quarter last year.

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

| | For the quarter ended October 31, 2014 | 2013 |
|---|---|---|
| Working capital | | |

| | | |
|---|---|---|
| (current assets - current liabilities) | $ 32,078,000 | $ 30,268,000 |
| Current ratio | | |
| (current assets / current liabilities) | 14.495 | 16.889 |
| Quick ratio | | |
| ((cash + investments + AR) / current liabilities) | 13.495 | 15.661 |

## New Product Development

The Company and its' engineering department continue to develop enhancements to product lines, develop new products which complement existing products, and look for products that are well suited to our distribution network and manufacturing capabilities. Items currently in the development process include:

* Wireless contact switches, pool alarms and environmental sensors are in development

* Slim-line face plate for pool alarms that will also allow homeowner to change the plate to match their decor

* High Security Switch

* Redesign of our Current Controller that will allow us to manufacture a 15 amp version that would automatically turn on a whole room of lights and a 220-volt version for international markets

* Redesign for the cover of the 29-Series terminal switch

* New water sensor that will monitor water levels in livestock tanks and sump pumps

* Fuel level monitor

## Other Information

In addition to researching and developing new products, management is always open to the possibility of acquiring a business or product line that would complement our existing operations. Due to the Company's strong cash position, management believes this could be achieved without the need for 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.

## Recently Issued Accounting Pronouncements

In July 2013, the FASB issued Accounting Standards Update No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists, ("ASU 2013-11"). The objective of this update is to eliminate the diversity in practice in the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. The amendments in this update require an entity to present an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for those instances described above, except in certain situations discussed in the update. ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this standard did not have a material impact on the Company's financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers. The objective of this update is to provide a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance. This update is effective in annual reporting periods beginning after December 15, 2016 and the interim periods within that year. The Company is evaluating the impact of this update on the Company's financial statements.

GEORGE RISK INDUSTRIES, INC.

PART I. FINANCIAL INFORMATION

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable

Item 4. Controls and Procedures

(a) Information required by Item 307

Our Chief Executive Officer (also working as 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, has 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.

Item 4T. Controls and Procedures

Quarterly Evaluation of disclosure controls and procedures:

Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of October 31, 2014, our president and chief executive officer and our controller have concluded that our disclosure controls and procedures are effective such that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and (ii) accumulated and communicated to our management, including our chief executive officer and our controller, as appropriate to allow timely decisions regarding disclosure. A control system cannot provide absolute assurance, however, that the objectives of the control systems are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Changes in internal controls over financial reporting:

Previously, over the past year and a half, the Company stated that there was a material weakness in internal control over financial reporting, particularly as it relates to financial reporting and deferred taxes. This was due to the rather sudden death of the Chief Executive Officer in February 2013. The company was not able to hire a controller until May 2014. With the hiring of the Controller, the Company now believes that we meet the full requirement for separation for financial reporting purposes.

GEORGE RISK INDUSTRIES, INC.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings
Not applicable

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information relating to the Company's repurchase of common stock for the second quarter of fiscal year 2013.

| Period | Number of shares repurchased |
| --- | --- |
| August 1, 2014 - August 31, 2014 | 100 |
| September 1, 2014 - September 30, 2014 | 100 |
| October 1, 2014 - October 31, 2014 | - |

Item 3. Defaults upon Senior Securities
Not applicable

Item 4. (Removed and Reserved)
Not applicable

Item 5. Other Information
Not applicable

Item 6. Exhibits and Reports on Form 8-K

Exhibit No. Description

| ----------- | ----------- |
|---|---|
| 31.1 | Certification of the Chief Executive Officer (Principal and Accounting Officer), as required by Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of the Chief Executive Officer (Principal and Accounting Officer), as required by Section 906 of the Sarbanes-Oxley Act of 2002. |

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

George Risk Industries, Inc.
(Registrant)

Date: December 11, 2014

By: /s/ Stephanie M. Risk-McElroy
Stephanie M. Risk-McElroy
President, Chief Executive Officer, Chief
Financial Officer and Chairman of the Board