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RISK GEORGE INDUSTRIES INC

Form 10-K

July 29, 2015

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended April 30, 2015

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 registrant as specified in its charter)

Colorado 84-0524756

(State of incorporation)

(IRS Employer Identification No.)

802 South Elm  
Kimball, NE

69145

(Address of principal executive  
offices)

(Zip Code)

Issuer's telephone number (308) 235-4645

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
<u>None</u>	<u>None</u>

Securities registered under Section 12(g) of the Act:

Class A Common Stock, \$.10 par value  
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer,  
as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports  
pursuant to Section 13 or Sections 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant (1) filed all reports required  
to be filed by Section 13 or 15(d) of the Securities Exchange Act during the  
preceding 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  No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 229-405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229-405 of this chapter) is not contained herein, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
(Do not check is smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

The aggregate market value, as of July 20, 2015, of the common stock (based on the average of the bid and asked prices of the shares on the OCTBB of George Risk Industries, Inc.) held by non-affiliates (assuming, for this purpose, that all directors, officers and owners of 5% or more of the registrant's common stock are deemed affiliates) was approximately \$14,798,368.

The number of outstanding shares of the common stock as of July 20, 2015 was 5,025,510.

### DOCUMENTS INCORPORATED BY REFERENCE

A material vendor contract with a customer that accounts for a material portion of our sales.

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### Part I

#### Preliminary Note Regarding Forward-Looking Statements and Currency Disclosure

This annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors", that may cause our or our industry's actual results, levels

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of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We do not intend to update any of the forward-looking statements to conform these statements to actual results except as required by applicable law, including the securities laws of the United States.

Our financial statements are stated in United States dollars, rounded to the nearest thousand, and are prepared in accordance with United States Generally Accepted Accounting Principles.

### Item 1 Business

#### (a) Business Development

George Risk Industries, Inc. (GRI or the company) was incorporated in 1967 in Colorado. The company is presently engaged in the design, manufacture, and sale of computer keyboards, push button switches, burglar alarm components and systems, pool alarms, thermostats, EZ Duct wire covers and water sensors.

#### Products, Market, and Distribution

The company designs, manufactures, and sells computer keyboards, push-button switches, burglar alarm components and systems, pool alarms, and water sensors. Our security burglar alarm products comprise approximately 94 percent of net revenues and are sold through distributors and alarm dealers/installers.

The security segment has approximately 1,000 current customers. One of the distributors, ADI (which is a division of Honeywell International) accounts for approximately 40.7 percent of the company's sales of these products. Tri-Ed Distribution accounts for another 10.1 percent of company sales. Loss of these distributors would be significant to the company. However, both companies have purchased from the company for many years and are expected to continue. Also, the company has obtained a written agreement with ADI. This agreement was signed in February 2011 and initiated by the customer. The contents of the agreement include product terms, purchasing, payment terms, term and termination, product marketing, representations and warranties, product support, mutual confidentiality, indemnification and insurance, and general provisions.

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The keyboard segment has approximately 800 customers. Keyboard products are sold to original equipment manufacturers to their specifications and to distributors of off-the-shelf keyboards of proprietary design.

#### Competition

The company has intense competition in the keyboard and burglar alarm lines.

The burglar alarm segment has approximately eight major competitors. The company competes well based on price, product design, quality, customization, and prompt delivery.

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The competitors in the keyboard segment are larger companies with automated production facilities. GRI has emphasized small custom order sales that many of its competitors decline or discourage.

### Research and Development

The company performs research and development for its customers when needed and requested. Costs in connection with such product development have been borne by the customers. Costs associated with the development of new products are expensed as incurred.

### Employees

GRI has approximately 165 employees.

### Item 2 Properties

The company owns the manufacturing and some of the office facilities. Total square footage of the plant in Kimball, Nebraska is approximately 42,500 sq. ft. Additionally, the company leases 15,000 square feet for \$1,535 per month with Bonnie Risk. Bonnie Risk is a director of the company.

As of October 1, 1996, the company also began operating a satellite plant in Gering, NE. This expansion was done in coordination with Twin Cities Development. The company leased manufacturing facilities until July 2005. During the first quarter of fiscal year end 2006, the company purchased a building that is 7,200-sq. ft. in size. Currently, there are 33 employees at the Gering site.

### Item 3 Legal Proceedings

None.

### Item 4 Submission of Matters to a Vote of Security Holders

Not applicable.

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## Part II

### Item 5 Market for the Registrant's Common Equity and Related Stockholders' Matter

#### Principal Market

The company's Class A Common Stock, which is traded under the ticker symbol RSKIA, is currently quoted on the OTC Bulletin Board by one market maker.

#### Stock Prices and Dividends Information

2015 Fiscal Year

High

Low

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May 1-July 31	8.47	7.15
August 1-October 31	8.97	7.24
November 1-January 31	8.60	7.56
February 1-April 30	8.60	7.65

2014 Fiscal Year		
	High	Low
May 1-July 31	7.90	6.92
August 1-October 31	9.00	7.70
November 1-January 31	9.04	7.87
February 1-April 30	9.00	7.32

On September 30, 2014, a dividend of \$.32 per common share was declared for the fiscal year ended April 30, 2015.

For the prior fiscal year, a dividend of \$0.30 per common share was declared on September 30, 2013.

The number of holders of record of the company's Class A Common Stock as of April 30, 2015, was approximately 1,200.

Repurchases of Equity Securities

On September 18, 2008, the Board of Directors approved an authorization for the repurchase of up to 500,000 shares of the company's common stock. Purchases can be made in the open market or in privately negotiated transactions. The Board did not specify an expiration date for the authorization.

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The following tables show repurchases of GRI's common stock made on a quarterly basis:

2015 Fiscal Year	Number of shares repurchased
May 1-July 31	400
August 1-October 31	200

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November 1-January 31	0
February 1-April 30	3,850

2014 Fiscal Year	Number of shares repurchased
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May 1-July 31	1,850
August 1-October 31	1,700
November 1-January 31	750
February 1-April 30	1,050

There are still approximately 346,000 shares available to be repurchased under the current resolution.

### Item 6 Selected Financial Data

As a smaller reporting company, we are not required to respond to this item.

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### Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

#### Executive Overview

George Risk Industries, Inc. (GRI) is a diversified manufacturer of electronic components, encompassing the security industry's widest variety of door and window contact switches, environmental products, proximity switches and custom keyboards. The security products division comprises the largest portion of GRI sales and products are sold worldwide through distributors, who in turn sell these products to security installation companies. These products are used for residential, commercial, industrial and government installations. International sales accounted for approximately 6.0% of revenues for fiscal year 2015 and 13.7% for 2014.

GRI is known for its quality American made products, top-notch customer service and the willingness to work with customers on their special applications.

GRI owns and operates its main manufacturing plant and offices in Kimball, Nebraska with a satellite plant 40 miles away in Gering, Nebraska.

The company has substantial marketable securities holdings and these holdings have a material impact on the financial results. For the fiscal year ending April 30, 2015, other income accounted for 24.14% of income before income taxes. In comparison, other income accounted for 23.10% of the income before income taxes for the year ending April 30, 2014. Management's philosophy behind having holdings in marketable securities is to keep the money working and gaining interest on the cash that is not needed to be put back into the business. And over the years, the investments have kept the earnings per share up when the

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results from operations have not fared as well.

Management is always open to the possibility of acquiring a business that would complement our existing operations. This would probably not require any outside financing. The intent would be 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 mostly sell to distributors and OEM manufacturers. The products are tied to the housing industry and will fluctuate with building trends.

### Liquidity and Capital Resources

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#### Operating

Net cash decreased \$181,000 during the year ended April 30, 2015 compared to an increase of \$1,013,000 during the year ended April 30, 2014. Accounts receivable decreased \$31,000 during the current year and showed an \$118,000 increase in the prior year. The small decrease in cash flow from accounts receivable is a reflection of increased sales, but having customers taking slightly longer to pay us. At April 30, 2015, 75.01% of the receivables were less than 45 days and less than 1% were over 90 days. In comparison, 75.47% of the receivables were considered current (less than 45 days) and less than 1% of the total were over 90 days past due for the prior year during the same period.

Inventories decreased by \$74,000 in fiscal year ended April 30, 2015 while the prior year showed an increase of \$177,000 at year end.

Prepaid expenses decreased by a net of \$24,000 in the current year and increased \$65,000 for the year ended April 30, 2014, primarily due to not having any prepayments out for raw materials at year end.

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Income tax overpayment increased for the year ended April 30, 2015, up \$609,000 from the prior year. The overpayment is a result of paying in more in estimates and not having to pay any interest and penalties to the IRS at the end of the fiscal year.

For the year ended April 30, 2015, accounts payable increased by \$1,000 as compared to an increase of \$41,000 for the same period the year before. The change in cash in regards to accounts payable is largely based on timing. Payables are paid within terms and fluctuate based primarily on inventory needs for production. Accrued expenses increased \$28,000 for the year ended April 30, 2015, primarily due to the timing of having a whole payroll period to accrue on the books.

#### Investing

As for our investment activities, \$186,000 was spent on purchases of property and equipment during the current fiscal year, compared to \$81,000 during the year ended April 30, 2014. Additionally, the Company continues to purchase marketable securities, which include municipal bonds and quality stocks. Cash spent on purchases of marketable securities for the year ended April 30, 2015 was \$986,000 and \$620,000 was spent for the corresponding period last year. Conversely, net proceeds from the sale of marketable securities for the year ended April 30, 2015 were \$33,000 and \$5,000 for the same period last year. We 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

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fee based on the value of the investments.

As for other investment activities, a net amount of \$15,000 was spent on other assets manufactured for the year ended April 30, 2015, while \$4,000 was capitalized on these activities during the prior year. Additionally, the company airplane was sold during the prior year ended April 30, 2014 with proceeds from that sale amounting to \$127,000.

### Financing

Cash used in financing activities consists of two items. First, for the year ended April 30, 2015, \$1,463,000 was spent on the issuance of dividends. The company declared a dividend of \$0.32 per share of common stock on September 30, 2014 for the current year, while a \$0.30 per share of common stock dividend September 30, 2013 was issued in the prior year. Furthermore, the Company continues to purchase back its common stock when the opportunity arises. For the year ended April 30, 2015, the Company purchased \$33,000 of treasury stock and \$38,000 was bought back for the year ended April 30, 2014. We have been actively searching for stockholders that have been "lost" over the years. The payment of dividends over the last ten fiscal years has also prompted many stockholders and/or their relatives and descendants to sell back their stock to the Company.

### Results of Operations

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GRI completed the fiscal year ending April 30, 2015, with a net profit of 26.48% of net sales. Net sales were at \$11,903,000, up 7.96% over the previous year. The increase in sales is a result of continued quality service and a price increase implemented in January, 2014. Cost of goods sold was 45.92% of net sales for the year ended April 30, 2015 and 44.46% for the same period last year. Management continues to keep labor and other manufacturing expenses in check, therefore keeping the cost of goods sold percentage in the desired range of 45 to 50%.

Operating expenses were 24.22% of net sales for the year ended April 30, 2015 as compared to 23.66% for the corresponding period last year. Management's goal is to keep the operating expenses around 30% or less of net sales, so the goal has been met for the current fiscal year. Income from operations for the year ended April 30, 2015 was at \$3,554,000, which is a 1.14% increase from the corresponding period last year, which had income from operations of \$3,514,000.

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Other income and expense results for the fiscal year ended April 30, 2015 produced a gain of \$1,131,000. This is in comparison to a gain of \$1,055,000 for the fiscal year ended April 30, 2014. Dividend and interest income was \$820,000, which is up 22.75% for the year. Dividend and interest income at April 30, 2014 was \$668,000. Gains on investments for the current fiscal year were \$304,000, which is a 20.83% decrease over the prior year. Gains on investments for the fiscal year ending April 30, 2014 were \$384,000.

Net income for the year ended April 30, 2015 was \$3,152,000, which is up slightly from the prior year, which produced a net gain of \$3,122,000. Basic earnings per common share for the year ended April 30, 2015 was \$0.63 per share. Basic EPS for the year ended April 30, 2014 was \$0.62 per share.

Management expects sales to stay steady for the fiscal year ending April 30, 2016. The company's main division of products that are sold (security switches) are directly tied to the housing industry. And since the housing industry's performance has improved, the company's sales have also improved in relation to the economy. We are always researching and developing new products that will help our sales increase. While we were not successful in launching the



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anticipated new products in fiscal year 2015, we continue to work toward a new release date for those products, and to search for products that complement our current offerings.

At April 30, 2015, working capital increased 4.74% in comparison to the previous fiscal year. The company measures liquidity using the quick ratio, which is the ratio of cash, securities and accounts receivables to current obligations. The company's quick ratio decreased to 13.897 for the year ended April 30, 2015 compared to 14.565 for the year ended April 30, 2014, reflecting a strong position in ability to meet capital needs as they arise.

### New product development

The GRI Engineering department continues to develop enhancements to our existing products as well as to develop new products that will continue to secure our position in the industry.

Wireless technology is a main area of focus for product development. We are looking into adding wireless technology to some of our current products. A wireless contact switch is in the final stages of development. Also, we are working on wireless versions of our Pool Alarm and environmental sensors that will be easy to install in current construction. We are also concentrating on making products compatible with Wi-Fi, smartphone technology and the increasing popular Z-Wave standard for wireless home automation.

We continue to work on high security switches. We have a triple biased high security switch design nearly complete and an adjustable magnet design was completed for recessed mounting applications.

Our molding department is working on several new molds for enhancements to our Current Controller and a 29-series switch. The new versions of the Current Controller will allow the user to control more lights with a single controller or to handle higher voltage applications for use overseas.

Another product near completion in the molding department is a new face plate for the pool alarms. The new design is slimmer and will allow the homeowner to change the plate to match their decor.

We continue to research the possibilities of fuel level sensing and how that may also serve other agricultural based needs. Several companies from around the world have been looking for ways to secure fuel tanks and trucks. Our emphasis would be in ways to safely monitor fuel levels and report tampering.

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### Critical Accounting Policies

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The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in conformity with generally accepted accounting principles in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in those financial statements. These judgments can be subjective and complex, and consequently actual results could differ from those estimates. Our most critical accounting policies relate to accounts receivable; marketable securities; inventory; income taxes; and segment reporting.

Accounts Receivable—Accounts receivable are customer obligations due under normal trade terms. The company sells its products to security alarm

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distributors, alarm installers, and original equipment manufacturers. Management performs continuing credit evaluations of its customers' financial condition and the company generally does not require collateral.

The company records an allowance for doubtful accounts based on an analysis of specifically identified customer balances. The company has a limited number of customers with individually large amounts due at any given date. Any unanticipated change in any one of these customers' credit worthiness or other matters affecting the collectibility of amounts due from such customers could have a material effect on the results of operations in the period in which such changes or events occur. After all attempts to collect a receivable have failed, the receivable is written off.

Marketable securities-The Company has investments in publicly traded equity securities, state and municipal debt securities, and hedge funds. The investments in securities are classified as available-for-sale securities, and are reported at fair value. The investments in hedge funds are reported at cost. 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 stockholder's equity. Dividend and interest income are reported as earned.

In accordance with the Generally Accepted Accounting Principles in the United States (US GAAP), the Company evaluates all marketable securities for other-than temporary declines in fair value. When the cost basis exceeds the fair market value for approximately one year, management evaluates the nature of the investment, cause of impairment and number of investments that are in an unrealized position. When it is determined that a security will probably remain impaired, a recognized loss is booked and the investment is written down to its new fair value. The investments are periodically evaluated to determine if impairment changes are required.

Inventories-Inventories are valued at the lower of cost or market value. Costs are determined using the average cost-pricing method. The company uses standard costs to price its manufactured inventories, approximating average costs. The reported net value of inventory includes finished saleable products, work-in-process and raw materials that will be sold or used in future periods. Inventory costs include raw materials, direct labor and overhead. The Company's overhead expenses are applied, based in part, upon estimates of the proportion of those expenses that are related to procuring and storing raw materials as compared to the manufacture and assembly of finished products. These proportions, the method of their application, and the resulting overhead included in ending inventory, are based in part on subjective estimates and approximations and actual results could differ from those estimates.

In addition, the Company records an inventory obsolescence reserve, which represents the cost of the inventory that has had no movement in over two years. There is inherent professional judgment and subjectivity made by management in determining the estimated obsolescence percentage. In addition, and as necessary, the Company may establish specific reserves for future known or anticipated events.

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Income Taxes-US GAAP requires use of the liability method, whereby current and deferred tax assets and liabilities are determined based on tax rates and laws enacted as of the balance sheet date. Deferred tax expense represents the change in the deferred tax asset/liability balances.

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Segment Reporting and Related Information—The Company designates the internal organization that is used by management for allocating resources and assessing performance as the source of the Company's reportable segments. US GAAP also requires disclosures about products and services, geographic area and major customers.

Related Party Transactions - The Company leases a building from Bonnie Risk. Ken Risk was the Chairman of the Board and President and CEO of the company until his death in February 2013. Bonnie Risk is Ken's wife, who is a director and an employee of the company. This building contains the Company's sales and accounting departments, maintenance department, engineering department and some production facilities. This lease requires a minimum payment of \$1,535 on a month-to-month basis. The total lease expense for this arrangement was \$18,420 for the fiscal years ended April 30, 2015 and 2014.

One of the directors of the board, Joel Wiens, is the principal shareholder of FirstTier Bank. FirstTier Bank is the financial institution the company uses for its day to day banking operations. Year end balances of accounts held at this bank are \$4,647,000 for the year ended April 30, 2015 and \$3,879,000 for the year ended April 30, 2014. The Company also received interest income from FirstTier Bank in the amount of approximately \$1,500 for the years ended April 30, 2015 and 2014.

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### Item 8 Financial Statements

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## Report of Independent Registered Public Accounting Firm

Board of Directors  
George Risk Industries, Inc.  
Kimball, Nebraska

We have audited the accompanying balance sheets of George Risk Industries, Inc. as of April 30, 2015 and 2014, and the related statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the two-year period ended April 30, 2015. George Risk Industries, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of George Risk Industries, Inc. as of April 30, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the two-year period ended April 30, 2015, in conformity with accounting principles generally accepted in the United States of America.

/s/ Haynie & Company

Littleton, Colorado  
July 29, 2015

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George Risk Industries, Inc.  
Balance Sheets  
April 30, 2015 and 2014

	2015	2014
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 5,691,000	\$ 5,872,000
Investments and securities	25,266,000	23,904,000
Accounts receivable:		
Trade, net of \$0 and \$4,500 doubtful account allowance for 2015 and 2014, respectively	2,007,000	2,034,000
Other	3,000	3,000
Note receivable, current	1,000	-
Income tax overpayment	534,000	-
Inventories	2,275,000	2,233,000
Prepaid expenses	108,000	132,000
	\$ 35,885,000	\$ 34,178,000
Total Current Assets		
Property and Equipment, net, at cost	661,000	625,000
Other Assets		
Investment in Limited Land Partnership, at cost	253,000	238,000
Projects in process	56,000	41,000
Other	1,000	1,000
	\$ 310,000	\$ 280,000
Total Other Assets		
TOTAL ASSETS	\$ 36,856,000	\$ 35,083,000