

Edgar Filing: RISK GEORGE INDUSTRIES INC - Form 10-Q

RISK GEORGE INDUSTRIES INC
Form 10-Q
December 14, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarter ended October 31, 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 small business issuer as specified in its charter)

Colorado 84-0524756
(State of incorporation) (IRS Employers Identification No.)

802 South Elm St. 69145
Kimball, NE (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 No

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

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of shares of the Registrant's Common Stock outstanding, as of December 14, 2014 was 5,024,260.

Transitional Small Business Disclosure Format: Yes No

GEORGE RISK INDUSTRIES, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited financial statements for the three and six month period ended October 31, 2015, are attached hereto.

GEORGE RISK INDUSTRIES, INC.
CONDENSED BALANCE SHEETS

	October 31, 2015	April 30, 2015
	----- (unaudited)	-----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,719,000	\$ 5,691,000
Investments and securities	24,553,000	25,266,000
Accounts receivable:		
Trade, net of \$206 and \$160 doubtful account allowance	1,753,000	2,007,000
Other	5,000	3,000
Note receivable, current	--	1,000
Income tax overpayment	762,000	534,000
Inventories, net	2,826,000	2,275,000
Prepaid expenses	71,000	108,000
	-----	-----
Total Current Assets	\$34,689,000	\$35,885,000
Property and Equipment, net, at cost	610,000	661,000
Other Assets		
Investment in Limited Land Partnership, at cost	253,000	253,000
Projects in process	70,000	56,000
Other	1,000	1,000
	-----	-----
Total Other Assets	\$ 324,000	\$ 310,000
TOTAL ASSETS	\$35,623,000	\$36,856,000
	=====	=====

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See accompanying notes to the condensed financial statements.

GEORGE RISK INDUSTRIES, INC. CONDENSED BALANCE SHEETS

	October 31, 2015	April 30, 2015
	-----	-----
	(unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable, trade	\$ 134,000	\$ 110,000
Dividends payable	1,255,000	1,099,000
Accrued expenses:		
Payroll and related expenses	309,000	306,000
Deferred income taxes	442,000	857,000
	-----	-----
Total Current Liabilities	\$ 2,140,000	\$ 2,372,000
Long-Term Liabilities		
Deferred income taxes	105,000	115,000
	-----	-----
Total Long-Term Liabilities	\$ 105,000	\$ 115,000
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	708,000	1,282,000
Retained earnings	33,547,000	33,960,000
Treasury stock, 3,473,671 and 3,470,906 shares, at cost	(3,562,000)	(3,558,000)
	-----	-----
Total Stockholders' Equity	\$33,378,000	\$34,369,000
TOTAL LIABILITES AND STOCKHOLDERS' EQUITY	\$35,623,000	\$36,856,000
	=====	=====

See the companying notes to the condensed financial statements.

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

	Three months ended October 31, 2015	Six months ended October 31, 2015	Three months ended October 31, 2014	Six months ended October 31, 2014
	-----	-----	-----	-----
Net Sales	\$ 2,775,000	\$ 5,630,000	\$ 3,020,000	\$ 6,019,000
Less: cost of goods sold	(1,187,000)	(2,548,000)	(1,288,000)	(2,802,000)

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Gross Profit	\$ 1,588,000	\$ 3,082,000	\$ 1,732,000	\$ 3,217,000
Operating Expenses:				
General and administrative	213,000	416,000	218,000	412,000
Sales	486,000	980,000	463,000	956,000
Engineering	23,000	38,000	21,000	41,000
Rent paid to related parties	5,000	9,000	5,000	9,000
Total Operating Expenses	\$ 727,000	\$ 1,443,000	\$ 707,000	\$ 1,418,000
Income From Operations	861,000	1,639,000	1,025,000	1,799,000
Other Income (Expense)				
Other	5,000	8,000	0	1,000
Dividend and interest income	142,000	309,000	136,000	289,000
Gain (loss) on investments	(135,000)	(46,000)	128,000	265,000
	\$ 12,000	\$ 271,000	\$ 264,000	\$ 555,000
Income Before Provisions for Income Tax	873,000	1,910,000	1,289,000	2,354,000
Provisions for Income Tax				
Current expense	(287,000)	(626,000)	(233,000)	(583,000)
Deferred tax benefit (expense)	(13,000)	11,000	(35,000)	(18,000)
Total Income Tax Expense	\$ (300,000)	\$ (615,000)	\$ (268,000)	\$ (601,000)
Net Income	\$ 573,000	\$ 1,295,000	\$ 1,021,000	\$ 1,753,000
Cash Dividends				
Common Stock (\$0.34 per share)	\$ (1,709,000)	\$ (1,709,000)		
Common Stock (\$0.32 per share)			\$ (1,609,000)	\$ (1,609,000)
Income Per Share of Common Stock:				
Basic	\$0.11	\$0.26	\$0.20	\$0.35
Assuming Dilution	\$0.11	\$0.26	\$0.20	\$0.35
Weighted Average Number of Common Shares Outstanding:				
Basic	5,025,244	5,025,379	5,029,609	5,029,759
Assuming Dilution	5,045,744	5,045,879	5,050,109	5,050,259

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

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	October 31, 2015	October 31, 2015	October 31, 2014	October 31, 2014
Net Income	\$ 573,000	\$ 1,295,000	\$ 1,021,000	\$ 1,753,000
Other Comprehensive Income, net of tax				
Unrealized gain (loss) on securities:				
Unrealized holding gains (losses) arising during period	(631,000)	(1,118,000)	366,000	639,000
Reclassification adjustment for gains (losses) included in net income	194,000	131,000	(503,000)	(649,000)
Income tax benefit (expense) related to other comprehensive income	183,000	413,000	57,000	4,000
Other Comprehensive Income	\$ (254,000)	\$ (574,000)	\$ (80,000)	\$ (6,000)
Comprehensive Income	\$ 319,000	\$ 721,000	\$ 941,000	\$ 1,747,000

See accompanying notes to the condensed financial statements.

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

	Six months ended October 31, 2015	Six months ended October 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 1,295,000	\$ 1,753,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	79,000	71,000
(Gain) loss on sale of investments	46,000	(265,000)
Reserve for bad debts	0	(5,000)
Reserve for obsolete inventory	12,000	10,000
Deferred income taxes	(11,000)	19,000
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	254,000	(14,000)
Inventories	(563,000)	(51,000)
Prepaid expenses	37,000	35,000
Other receivables	(2,000)	(3,000)
Income tax overpayment	(228,000)	0
Increase (decrease) in:		
Accounts payable	24,000	60,000
Accrued expenses	3,000	27,000
Income tax payable	0	(31,000)
Net cash provided by (used in) operating activities	\$ 946,000	\$ 1,606,000

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CASH FLOWS FROM INVESTING ACTIVITIES:		
Other assets manufactured	(14,000)	(18,000)
(Purchase) of property and equipment	(27,000)	(111,000)
Proceeds from sale of marketable securities	55,000	21,000
(Purchase) of marketable securities	(376,000)	(377,000)
(Purchase) of long-term investment	0	(15,000)
Collections of loans to employees	1,000	0
	-----	-----
 Net cash provided by (used in) investing activities	 \$ (361,000)	 \$ (500,000)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
(Purchase) of treasury stock	(4,000)	(4,000)
Dividends paid	(1,553,000)	(1,463,000)
	-----	-----
 Net cash provided by (used in) financing activities	 \$ (1,557,000)	 \$ (1,467,000)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 \$ (972,000)	 \$ (361,000)
 Cash and cash equivalents, beginning of period	 \$ 5,691,000	 \$ 5,872,000
	-----	-----
Cash and cash equivalents, end of period	\$ 4,719,000	\$ 5,511,000
	=====	=====
 Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Income taxes	\$ 850,000	\$ 610,000
Interest expense	\$ 0	\$ 0
 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, 2015

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, 2015 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 classi-

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fied as available-for-sale securities, and are reported at fair value. Available-for-sale investments in debt securities mature between January 2016 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, 2015, investments available-for-sale consisted of the following:

	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Municipal bonds	\$ 6,535,000	\$ 107,000	\$ (139,000)	\$ 6,503,000
Corporate bonds	\$ 30,000	\$ --	\$ (6,000)	\$ 24,000
REITs	\$ 86,000	\$ 1,000	\$ (13,000)	\$ 74,000
Equity securities	\$14,246,000	\$ 1,630,000	\$ (364,000)	\$15,512,000
Money markets	\$ 2,440,000	\$ --	\$ --	\$ 2,440,000
Total	\$23,337,000	\$ 1,738,000	\$ (552,000)	\$24,553,000

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 recorded impairment losses of \$23,000 for both the quarter and six months ended October 31, 2015. Likewise, as for the corresponding periods last year, management recorded an \$8,000 impairment loss for the three and six months ended October 31, 2014.

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, 2015.

	Less than 12 months		12 months or greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Municipal bonds	\$2,506,000	\$ (48,000)	\$1,341,000	\$ (91,000)	\$ 3,847,000	\$ (139,000)
Corporate bonds	\$ 24,000	\$ (6,000)	\$ --	\$ --	\$ 24,000	\$ (6,000)
REITs	\$ 28,000	\$ (1,000)	\$ 16,000	\$ (12,000)	\$ 44,000	\$ (13,000)
Equity securities	\$2,644,000	\$ (185,000)	\$1,098,000	\$ (179,000)	\$ 3,742,000	\$ (364,000)
Total						

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\$5,202,000 \$ (240,000) \$2,455,000 \$(282,000) \$ 7,657,000 \$ (522,000)

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, 2015.

Corporate Bonds

 The Company's unrealized loss on investments in corporate bonds relates to one bond. The contractual term of this investment does not permit the issuer to settle the security at a price less than the amortized cost of the investment. Because the Company has the ability to hold this investment until a recovery of fair value, which may be maturity, the Company does not consider this investment to be other-than-temporarily impaired at October 31, 2015.

Marketable Equity Securities and REITs

 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, 2015.

Note 3 Inventories

Inventories at October 31, 2015 and April 30, 2015 consisted of the following:

	October 31, 2015	April 30, 2015
	-----	-----
Raw Materials	\$ 1,887,000	\$ 1,557,000
Work in Process	594,000	466,000
Finished Goods	423,000	318,000
	-----	-----
	\$ 2,904,000	\$ 2,341,000
Less: allowance for obsolete inventory	(78,000)	(66,000)
	-----	-----
Net Inventories	\$ 2,826,000	\$ 2,275,000
	=====	=====

Note 4 Business Segments

The following is financial information relating to industry segments:

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	For the quarter ended October 31,	
	2015	2014

Net revenue:		
Security alarm products	2,351,000	2,562,000
Other products	424,000	458,000

Total net revenue	\$ 2,775,000	\$ 3,020,000
Income from operations:		
Security alarm products	729,000	869,000
Other products	132,000	156,000

Total income from operations	\$ 861,000	\$ 1,025,000
Identifiable assets:		
Security alarm products	3,549,000	3,994,000
Other products	1,538,000	885,000
Corporate general	30,536,000	30,554,000

Total assets	\$35,623,000	\$35,433,000
Depreciation and amortization:		
Security alarm products	4,000	3,000
Other products	30,000	29,000
Corporate general	6,000	6,000

Total depreciation and amortization	\$ 40,000	\$ 38,000
Capital expenditures:		
Security alarm products	24,000	--
Other products	--	87,000
Corporate general	--	12,000

Total capital expenditures	\$ 24,000	\$ 99,000

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, 2015		
	Income (Numerator)	Shares (Denominator)	Per-share Amount

Net Income	\$ 573,000		
	=====		
Basic EPS	\$ 573,000	5,025,244	\$ 0.11
Effect of dilutive securities:			
Convertible preferred stock	0	20,500	

Diluted EPS	\$ 573,000	5,045,744	\$ 0.11

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For the six months ended October 31, 2015

	Income (Numerator)	Shares (Denominator)	Per-share Amount
Net Income	\$1,295,000		
	=====		
Basic EPS	\$1,295,000	5,025,379	\$ 0.26
Effect of dilutive securities:			
Convertible preferred stock	0	20,500	
Diluted EPS	\$1,295,000	5,045,879	\$ 0.26

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	5,029,609	\$ 0.20
Effect of dilutive securities:			
Convertible preferred stock	0	20,500	
Diluted EPS	\$1,021,000	5,050,109	\$ 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	5,029,759	\$ 0.35
Effect of dilutive securities:			
Convertible preferred stock	0	20,500	
Diluted EPS	\$1,753,000	5,050,259	\$ 0.35

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 \$3,000 were paid during the quarter ending October 31, 2015 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, 2015 and \$5,000 during the six-month period ending October 31, 2014. There were no discretionary contributions paid during either the quarters or six-month periods ending October 31, 2015 and 2014, respectively.

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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, 2015, 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, 2015

Level 1	Level 2	Level 3	Total
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Assets:				
Municipal Bonds	\$ --	\$ 6,503,000	\$ --	\$ 6,503,000
Corporate Bonds	\$ 24,000	\$ --	\$ --	\$ 24,000
REITs	\$ 74,000	\$ --	\$ --	\$ 74,000
Equity Securities	\$15,512,000	\$ --	\$ --	\$15,512,000
Money Markets	\$ 2,440,000	\$ --	\$ --	\$ 2,440,000
	-----	-----	-----	-----
Total fair value of assets measured on a recurring basis	\$18,050,000	\$ 6,503,000	\$ --	\$24,553,000
	=====	=====	=====	=====

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

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condensed consolidated financial statements, and with the Company's audited financial statements and discussion for the fiscal year ended April 30, 2015.

Executive Summary

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The Company's performance has declined through the first and second quarters, showing a drop in sales and the poor performance in the stock market has generated some realized losses on investments. New challenges the Company has endured over the six months of this fiscal year 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 6.46% decrease year-to-date over the same period in the prior year. There were only slight decreases of less than 1% in our most popular products lines and the Company's ongoing commitment to outstanding customer service is one reason as to why sales did not fall further.
- * Cost of goods sold remained steady throughout the six months ended October 31, 2015 at 45.26% of sales, compared to 46.55% in the prior year, keeping well within the target of less than 50%.
- * Operating expenses were up approximately \$25,000 for the period ended October 31, 2015 as compared to the corresponding period last year. These costs are primarily due to new product development and increased sales advertising. 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 Accountable 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, 2015 was at \$1,639,000, an 8.89% decrease from the corresponding period last year, which had income from operations of \$1,799,000.
- * Other income and expenses are down when comparing to the current six month period the prior year, with only a decrease of approximately \$284,000 in the current year. The majority of activity in these accounts consists of investment interest, dividends, and gain or loss on sale of investments. With the recent decline in the performance of the stock market, decisions were made to sell many holdings and take the realized losses on the investments over the last few months.
- * Overall net income for the six month period ended October 31, 2015 was down \$458,000, or 26.13%, from the same period in the prior year.
- * Earnings per share for the six months ended October 31, 2015 were \$0.26 per common share and \$0.35 per common share for the same period in the prior year.

Liquidity and capital resources

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Operating

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- \* Net cash decreased \$972,000 during the six months ended October 31, 2015 as compared to a decrease of \$361,000 during the corresponding period last year.
- \* Accounts receivable decreased \$254,000 for the six months ended October 31, 2015 compared with a \$14,000 increase for the same period last year. The current year decrease is a result of the decline in sales and is offset with the Company's ability to collect on accounts receivable in a timely manner.
- \* Inventories increased during the current and prior six month periods showing an increase of \$563,000 in the current period compared to a \$51,000 increase in the prior period. These increases are attributable to past buying trends, since there had been increases in sales prior to the most recent quarter, and some vendors' price increases.
- \* Prepaid expenses saw a \$37,000 decrease for the current six months, primarily due to recording the regular monthly of doing business and no having to renew any service agreements over the last six months. Conversely, the prior six months showed a \$35,000 decrease in prepaid expenses.
- \* There was an increase of \$228,000 income tax overpayment for the period ended October 31, 2015, while there was no overpayment for the same period the prior year.
- \* Accounts payable shows increases for both six month periods at \$24,000 and \$60,000, 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 \$3,000 for the current six month period as compared to a \$27,000 increase for the six month period ended October 31, 2014.

### Investing

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- \* As for our investment activities, the Company spent approximately \$24,000 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 \$111,000. In addition, the company has accumulated \$14,000 towards assets manufactured on site for the current six month period.
- \* Additionally, the Company continues to purchase marketable securities, which include municipal bonds and quality stocks. During the six month period ended October 31, 2015 there was quite a 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, 2015 was \$376,000 compared to \$377,000 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.

### Financing

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- \* The Company continues to purchase back common stock when the opportunity arises. For the six month period ended October 31, 2015, the Company purchased \$4,000 worth of treasury stock, which is the same amount spent in the corresponding six months period last year.
- \* The company paid out dividends of \$1,553,000 during the six months ending October 31, 2015. These dividends were paid during the second quarter. The company declared a dividend of \$0.34 per share of common stock on September 30, 2015 and these dividends were paid by October 31, 2015. As for the prior year numbers, dividends paid was \$1,463,000 for the six months ending October 31, 2014. A dividend of \$0.32 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<br>October 31, |               |
|------------------------------------------------------------------|--------------------------------------|---------------|
|                                                                  | 2015                                 | 2014          |
| Working capital<br>(current assets - current liabilities)        | \$ 32,549,000                        | \$ 32,078,000 |
| Current ratio<br>(current assets / current liabilities)          | 16.210                               | 14.495        |
| Quick ratio<br>((cash + investments + AR) / current liabilities) | 14.498                               | 13.495        |

### 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, Wi-Fi to enable monitoring of sensors from a smartphone, 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
- \* Triple biased 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. 12 and 24-volt versions are also being developed in response to many requests to turn on LED lighting.
- \* Redesign for the cover of the 29-Series terminal switch

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- \* New float water sensor that will monitor water levels in livestock tanks and sump pumps
- \* Fuel level monitor - With fuel theft being a major problem around the world, we are crafting a monitor to tie into the security system to alarm if tanks or trucks are tampered with.

### Other Information

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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

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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. Amended in August 2015, this update is effective in annual reporting periods beginning after December 15, 2017 and the interim periods within that year. The Company is evaluating the impact of this update on the Company's financial statements.

In January 2015, the FASB issued Accounting Standards Update No. 2015-04, "Requirement that All Deferred Income Tax Assets and Liabilities Be Presented as Non-Current in a Classified Balance Sheet". The objective of this update is to require deferred tax liabilities and assets be classified entirely as non-current in a classified balance sheet. 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



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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 4A. Controls and Procedures

#### Quarterly Evaluation of disclosure controls and procedures:

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As of the end of the period covered by the Quarterly Report on Form 10-Q, management performed, with the participation of our Chief Executive Officer (who also serves as our Chief Financial Officer), an evaluation of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 ("Exchange Act"). Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Exchange Act and SEC's rules, and that such information is accumulated and communicated to our management, including our Chief Executive, to allow timely decisions regarding required disclosures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Our Chief Executive Officer concluded that, as of October 31, 2015, our disclosure controls and procedures were not effective.

#### Changes in internal controls over financial reporting:

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The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting for the Company. Due to limited resources, Management conducted an evaluation of internal controls based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The results of this evaluation determined that our internal control over financial reporting was ineffective as of October 31, 2015, due to a material weakness. A material weakness in internal control over financial reporting is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of our financial reporting.

Management's assessment identified the following material weakness in internal control over financial reporting:

- \* The small size of our Company limits our ability to achieve the desired level of separation of internal controls and financial reporting, particularly as it relates to financial reporting and de-

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ferred taxes. Due to the departure of the Controller, the current CEO and CFO roles are being fulfilled by the same individual. We do not have an audit committee. Until such time as the Company is able to hire a Controller, we do not believe we meet the full requirement for separation for financial reporting purposes.

As a result of the material weakness in internal control over financial reporting described above, the Company's management has concluded that, as of October 31, 2015, the Company's internal control over financial reporting was not effective based on the criteria in Internal Control - Integrated Framework issued by the COSO.

To date, the Company has hired a person to fill the controller position, but more training will be required to fulfill disclosure control and procedure responsibilities. We will continue to follow the standards for the Public Company Accounting Oversight Board (United States) for internal control over financial reporting to include procedures that:

- \* Pertain to the maintenance of records in reasonable detail accurately that fairly reflect the transactions and dispositions of the Company's assets;
- \* Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the Board of Directors; and
- \* Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

This quarterly report does not include an attestation report of the Corporation's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Corporation's registered public accounting firm pursuant to Section 404(c) of the Sarbanes-Oxley Act of 2002, as amended, that permits the Corporation to provide only the management's report in this quarterly report.

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 2016.

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| Period                                 | Number of shares repurchased |
|----------------------------------------|------------------------------|
| August 1, 2015 - August 31, 2015       | 200                          |
| September 1, 2015 - September 30, 2015 | 100                          |
| October 1, 2015 - October 31, 2015     | -                            |

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 14, 2015

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