

GEORGE RISK INDUSTRIES



George Risk founded the company bearing his name in 1965. The company got its start by manufacturing push-button reed switches and soon branched out into security products that still represent its main line of business today.

When George Risk died in 1989, his son Ken Risk took over as President and CEO and served in that capacity until his death in 2013. The company is now led by Ken Risk's daughter, Stephanie Risk-McElroy.

George Risk Industries has a market capitalization of \$56.8 million with Risk family interests controlling 60% of the shares. The company is well managed and the Risk family seems content with an overcapitalized balance sheet. Minority shareholders can choose to go along for the ride but should not expect to have much influence over capital allocation given the Risk family's firm control of the company.

Terms of Use

© Copyright 2022 by The Rational Walk LLC. All rights reserved.

This report is part of a series of business profiles published by The Rational Walk, LLC.

The purpose of a business profile is to provide readers with information regarding a company's business model and financial results. Business profiles do not provide intrinsic value estimates regarding whether the securities related to the business are attractive investments. Reports are meant to provide background information for educational purposes.

The Rational Walk LLC is not a registered investment advisor. Please consult with your own investment advisor before buying or selling any securities discussed in this report. This report is not investment advice nor is it a recommendation to buy or sell securities. Past performance of securities discussed in this report is not a good indication of future performance.

All content is strictly protected by United States copyright laws. Unlawful reproduction is prohibited. This publication may not be photocopied, electronically redistributed, or quoted without written permission, except for brief quotations in compliance with the fair use doctrine when accompanied by an acknowledgement of the original source.

The information contained in this report is based on sources considered to be reliable, but no guarantees are made regarding accuracy. No warranties are given as to the accuracy or completeness of this analysis. All links to internet sites listed in this publication were valid at the time of publication but may change or become invalid in the future. No assurance can be given regarding the reliability of data contained on these websites.

Opinion and conclusions contained within this report are effective at the date of the report and future circumstances could cause the publisher of the report to arrive at different conclusions. No duty exists to provide updates to readers of this report at a later date if future developments change the publisher's opinions or conclusions.

At the date of this report, individuals associated with The Rational Walk LLC do not own shares of George Risk Industries but may buy or sell shares at any time, in any quantity, and for any reason without any disclosure to readers of this report.

The Rational Walk

The Rational Walk was founded in 2009. Over a thousand articles have been published over the past thirteen years primarily on topics related to investing and personal finance. In addition, over one hundred books have been reviewed on the website. The Rational Walk's extensive coverage of Berkshire Hathaway has been mentioned in several news articles. The Rational Walk website and full archive may be accessed at rationalwalk.com.

Rational Reflections

Rational Reflections is a newsletter published by The Rational Walk LLC. The Weekly Digest contains original content and curated links to articles, podcasts, videos, and other content with a high signal-to-noise ratio. Weekly Digest is free. In addition, Rational Reflections publishes profiles of businesses which are distributed to paying subscribers. While there is no set publication schedule for business profiles, subscribers should expect to receive at least ten profiles per year.

The subscription price for Rational Reflections is \$12 per month or \$120 per year. Subscriptions are available for purchase at rationalreflections.substack.com/subscribe. Subscriptions are meant to be accessed by a single individual. Please do not redistribute this report or other subscriber-only materials to non-subscribers.

Please direct any inquiries regarding this publication to administrator@rationalwalk.com.

Table of Contents

INTRODUCTION	4
BUSINESS MODEL	6
RECENT FINANCIAL RESULTS	8
BALANCE SHEET ANALYSIS	10
FREE CASH FLOW AND CAPITAL ALLOCATION	14
CONCLUSION.....	16
FINANCIAL STATEMENTS.....	18
BALANCE SHEETS.....	18
INCOME STATEMENTS	19
CASH FLOW STATEMENTS	20

Introduction

The United States is full of family-controlled businesses that fly well below the radar of most investors. The obvious reason is that most of these companies are very small and privately held. The cost of being a public company is very expensive for many small businesses and it can be time consuming to interact with shareholders. If you have a small business that is generating sufficient free cash flow to fund all expansion opportunities and pays good dividends to the family, there is no reason to go public.

In most cases, if you observe a family-run business that you would like to invest in, you'll have to approach the controlling shareholder at the local Rotary Club. But some of these businesses *are* publicly traded and available to anyone with a brokerage account and enough patience to purchase thinly traded stock. Such is the case for a manufacturer of security products located in the small town of Kimball, Nebraska.

George Risk [founded the company](#) bearing his name in 1965. The company started by manufacturing push-button reed switches and soon branched out into security products that still represent its main line of business today. When George Risk died in 1989, his son Ken Risk took over as President and CEO and served in that capacity until his death in 2013. The company is now led by Ken Risk's daughter, Stephanie Risk-McElroy. Today, George Risk Industries (GRI) has a market capitalization of \$56.8 million with Risk family interests controlling ~60% of the shares.

I first came across GRI in 2010 when I was eager to emulate Warren Buffett's strategy during his partnership years. GRI reminded me of [Dempster Mill Manufacturing Company](#), one of Mr. Buffett's early investments. At a superficial level, GRI seemed similar because it is also located in a small town in Nebraska, albeit on the other side of the state. However, from a more substantive perspective, GRI was massively overcapitalized with excess cash and a large securities portfolio. It was a [net current asset value stock](#), also known as a "net-net".

Intrigued by the company, I wrote [George Risk Industries: A Potential Bargain With Limited Downside Risk](#) in January 2010 and followed up with [Reader Questions on George Risk](#). After watching the stock for months, I decided not to invest and presented my reasoning in [George Risk Industries Resembles Buffett's Dempster Mill But Lacks a Catalyst](#).

One of the benefits of writing about investments is the ability to travel back in time many years later. Did I get the general situation right in the original write-up and were my reasons to pass on the investment sound? Did I make the correct decision?

While my initial understanding of the business was sound enough, my decision to not invest seems a bit more suspect. I did present good reasons for passing, such as firm family control, but I also cited lack of "liquidity" when what I really lacked was the patience to put in limit orders and wait weeks or even months for a trade execution.

Then and now, GRI is very thinly traded. However, it was possible and still is possible to put money to work provided that an investor is willing to sit and wait for an execution and is not alarmed by the inability to quickly sell the position. Just as you would not jump in and out of a small private business, you would only invest in a public company like GRI with an *indefinite* time horizon. You might be buying a stock, but what you are *really* doing is going into a partnership with the Risk family.

This profile provides a review of GRI's business model, recent financial results, balance sheet, free cash flow, capital allocation, and the family dynamics that appear to exist. While GRI is no longer a "net-net", it still represents a reliably profitable operating company with a large portfolio of marketable securities which is certainly not needed to run the business. Trading at ~116% of book value, the valuation is not particularly demanding.

I hope readers will find this micro-cap case study interesting. But I should point out that while the stock *does* trade, it would be difficult to put large amounts of capital to work. For example, during August 2022, only 20,400 shares traded, and most trading days did not see *any* volume at all. With the stock trading in the \$11-12 range, it would take many months and much patience to put large amounts of money to work.

While *none* of the profiles I publish are investment recommendations, this is *particularly* true for such a small, thinly traded stock. I should also note at the outset that I do not own George Risk shares and have no current plans to purchase shares.

Business Model

GRI is a vertically integrated company that designs, develops, and manufactures a wide array of electronic parts including computer keyboards, proximity switches, security alarm components and systems, pool access alarms, water sensors, electronic switching devices, high security switches, and wire and cable installation tools.

The company publishes a [product catalog](#) listing hundreds of parts and offering custom solutions. GRI emphasizes product quality and reliability of the components it manufactures which are backed by lifetime warranties. A key marketing message, intended to justify premium pricing, is that failure of a low-cost component can have more expensive ramifications when it causes disruptions or affects a larger system:

“The statement, “**a switch is a switch**”, usually comes from those we refer to as price shoppers. This type of person only seems to consider the actual cost of the contact in computing the cost of installation. The cost of repeated trips to the site of a false alarm, or complaints from customers that their system is not operating correctly, isn’t typically considered. Just what is the expense in a warranty service call? Certainly more than the price of a switch!”¹

GRI’s headquarters and main manufacturing plant is located in a 50,000 square foot facility in Kimball, Nebraska which is supplemented by a 7,200 square foot plant in nearby Gering. The company employs 200 people in a county with a [total population of 3,412 people](#). As we can see from the photo on the first page as well as the [street view feature](#) of Google Maps, the main facility is a modest building in an area of residential, commercial, and industrial structures located in a rural community.²

GRI operates in three segments:

- **Security alarm products** accounted for 86% of revenue in fiscal 2022 which ended on April 30.³ In addition to burglar alarm systems and parts, GRI manufactures products intended to prevent unauthorized use of swimming pools. Security products are primarily sold through distributors and alarm installers. Although the segment has ~1,000 customers, two distributors account for ~60% of sales. However, the company’s relationship with its two key distributors is long-standing and a written agreement exists with one of them.
- **Cable and wiring tools** accounted for 10.3% of revenue in fiscal 2022. This segment represents the business of Labor Saving Devices, Inc. (LSDI) which was acquired in 2017. LSDI products aim to improve the efficiency of installing wiring and related components. Products primarily serve the audio/visual, electrical, communications, and security alarm markets. Further details on the acquisition of LSDI will be provided in the section on capital allocation.

¹ [GRI Product Catalog](#), page 14. Downloaded on September 7, 2022.

² [All About GRI and LSDI](#) is an interesting video that provides an overview of the company. (GRI YouTube Channel)

³ Unless otherwise stated, all data for fiscal 2021 and fiscal 2022 has been taken from GRI’s [Fiscal 2022 10-K](#).

- **Other products** accounted for 3.7% of revenue in fiscal 2022. Few details are provided for this segment which is relatively immaterial to overall results.

The majority of GRI products are tied to the housing industry. Sales are affected by the overall state of the housing market and are particularly sensitive to changes in housing starts. Security systems, pool alarms, wiring, and tools to install these products are also used during renovation of existing homes. This leads me to believe that GRI is sensitive to changes in existing home sales and trends in disposable income that fund renovations and installation of new swimming pools.

The security alarm segment has six major competitors. GRI competes based on price, product design, quality, custom offerings, and emphasizes that all products are made in the United States. GRI is willing to accommodate small custom orders that larger competitors often decline. Additionally, according to the product catalog, GRI is willing to accommodate customers who resell privately labeled products. At the end of 2019, one major competitor went out of business which contributed to a significant increase in sales in fiscal 2021 despite the effects of the pandemic.⁴

Although GRI's financial results since the pandemic have remained satisfactory and the company was able to operate throughout the lockdowns, management has noted that certain raw materials have become more expensive and difficult to obtain. Perhaps to hedge against future shortages, the company is holding larger quantities of raw materials. Management reports that wages have also been increasing. To mitigate these cost pressures, GRI implemented a 10% price increase on January 1, 2022.⁵

When I first studied GRI's business in 2010, I came away with the impression that the company has longstanding relationships with suppliers and customers and some degree of pricing power, with much of this due to reputation within the industry. The situation appears to be similar today. While GRI is fully impacted by raw materials inflation, I suspect that the company's status as a major employer in a small town limits wage pressure to some extent.⁶ The proof of GRI's business model is in the pudding, so let us now turn our attention to the company's recent operating history.

⁴ GRI's [Fiscal 2021 10-K](#), p. 8

⁵ Ibid.

⁶ However, a counterpoint is that in the [Fiscal 2022 10-K](#), management reports that it "struggles to get enough workers to fill production needs" indicating that wages may have to rise further.

Recent Financial Results

GRI is a relatively straight forward business that has similar economics across its operating segments. Notable developments in recent years that have materially influenced results include the acquisition of LSDI in October 2017. At the end of 2019, a competitor went out of business. These events had the effect of increasing GRI's sales, with the majority of the effects seen in fiscal 2019 and fiscal 2021.

The following exhibit displays GRI's income statements for the past decade. Results for the first quarter of fiscal 2023 which ended on July 31 have not been released.⁷

	4/30/22	4/30/21	4/30/20	4/30/19	For Fiscal Years Ending on					
	4/30/18	4/30/17	4/30/16	4/30/15	4/30/14	4/30/13				
Net Sales	20,735,000	18,505,000	14,809,000	14,126,000	11,931,000	10,904,000	11,240,000	11,903,000	11,025,000	10,510,000
Less Cost of Goods Sold	10,720,000	9,176,000	7,404,000	7,326,000	6,316,000	5,224,000	4,977,000	5,466,000	4,902,000	5,089,000
Gross Profit	10,015,000	9,329,000	7,405,000	6,800,000	5,615,000	5,680,000	6,263,000	6,437,000	6,123,000	5,421,000
Operating Expenses:										
General & Administrative	1,426,000	1,443,000	1,304,000	1,235,000	1,127,000	914,000	853,000	817,000	728,000	790,000
Sales	2,857,000	2,479,000	2,278,000	2,167,000	1,888,000	1,892,000	1,937,000	1,960,000	1,806,000	1,821,000
Engineering	84,000	101,000	86,000	74,000	90,000	73,000	92,000	87,000	56,000	71,000
Rent Paid to Related Parties	-	-	7,000	18,000	18,000	18,000	19,000	19,000	19,000	41,000
Total Operating Expenses	4,367,000	4,023,000	3,675,000	3,494,000	3,123,000	2,897,000	2,901,000	2,883,000	2,609,000	2,723,000
Income From Operations	5,648,000	5,306,000	3,730,000	3,306,000	2,492,000	2,783,000	3,362,000	3,554,000	3,514,000	2,698,000
Other Income (Expense)										
Other Income	16,000	1,009,000	3,000	11,000	(112,000)	11,000	16,000	5,000	-	4,000
Interest Expense	-	-	(1,000)	(1,000)	-	-	-	(3,000)	(8,000)	(3,000)
Dividend and Interest Income	1,027,000	757,000	931,000	981,000	960,000	774,000	867,000	820,000	668,000	789,000
Unrealized Gain (Loss) on Equity Securities	(2,764,000)	7,007,000	(1,619,000)	444,000	-	-	-	-	-	-
Gain (Loss) on Sale of Investments	414,000	363,000	(384,000)	61,000	200,000	(40,000)	72,000	304,000	384,000	460,000
Gain (Loss) on Sale of Assets	-	4,000	5,000	(10,000)	6,000	-	-	5,000	11,000	-
Total Other Income	(1,307,000)	9,140,000	(1,065,000)	1,486,000	1,054,000	745,000	955,000	1,131,000	1,055,000	1,250,000
Income Before Taxes	4,341,000	14,446,000	2,665,000	4,792,000	3,546,000	3,528,000	4,317,000	4,685,000	4,569,000	3,948,000
Provision for Income Taxes										
Current Expense	1,669,000	1,636,000	1,056,000	1,024,000	972,000	1,140,000	1,252,000	1,474,000	1,488,000	1,000,000
Deferred Tax Expense	(894,000)	1,988,000	(495,000)	170,000	28,000	(13,000)	(21,000)	59,000	(41,000)	227,000
Total Income Tax Expense	775,000	3,624,000	561,000	1,194,000	1,000,000	1,127,000	1,231,000	1,533,000	1,447,000	1,227,000
Net Income	3,566,000	10,822,000	2,104,000	3,598,000	2,546,000	2,401,000	3,086,000	3,152,000	3,122,000	2,721,000
Avg Number of Shares Outstanding	4,962,325	4,969,210	4,972,777	4,983,047	4,977,584	5,004,513	5,024,428	5,029,343	5,032,117	5,058,337
Earnings Per Share	0.72	2.18	0.42	0.72	0.51	0.48	0.61	0.63	0.62	0.54
Dividends Paid per share	0.50	0.42	0.40	0.38	0.36	0.35	0.34	0.32	0.30	0.50
Gross Margin	48.3%	50.4%	50.0%	48.1%	47.1%	52.1%	55.7%	54.1%	55.5%	51.6%
Operating Margin	27.2%	28.7%	25.2%	23.4%	20.9%	25.5%	29.9%	29.9%	31.9%	25.7%
Net Margin	17.2%	58.5%	14.2%	25.5%	21.3%	22.0%	27.5%	26.5%	28.3%	25.9%
Effective Tax Rate	17.9%	25.1%	21.1%	24.9%	28.2%	31.9%	28.5%	32.7%	31.7%	31.1%

Source: SEC Filings, Author's calculations

Management's goal is to generate a gross margin of 50%. As we can see, over the years the gross margin has indeed fallen within a few percentage points of that goal. In fiscal 2022, gross margin fell to 48.3% which was the result of inflationary pressure in raw materials and wages. GRI's price increase of 10% on January 1, 2022 only impacted the final four months of fiscal 2022. Since GRI is a smaller reporting company, it has yet to release results for the first quarter of fiscal 2023 which ended on July 31.⁸

⁷ For readers who are interested in older data, some information is available at the end of my original [article](#) on the company which was published in January 2010.

⁸ Based on prior reporting patters, I would expect GRI's 10-Q covering the first fiscal quarter of 2023 to be posted in mid to late September. I should note that the company seems to have a history of not filing with the SEC on time. For example, the fiscal 2022 10-K was [delayed](#). The 10-Ks for fiscal 2020 and 2021 were also delayed. In the fiscal 2022 10-K, the company

Operating margin has exceeded management's target of 20% on a consistent basis for several years. The operating margin of 27.2% in fiscal 2022 was fairly close to the ten year average of 26.8%. Management does not provide much narrative in reports and does not host earnings calls, so we do not have a way of knowing whether the operating margin is likely to trend down toward 20% in the future. However, management's stated goals have not changed in over a decade so this could be a case of under promising and overdelivering.

The company's large portfolio of marketable securities will be discussed in detail in the next section. We can see the effects of holding that portfolio in the other income section of the exhibit:

- GRI collected \$8,574,000 of dividends and interest over ten years.
- *Realized gains* on sale of securities totaled \$1,834,000 over ten years.
- *Unrealized gains* on equity securities totaled \$3,068,000 over the past four years. GRI has been required to recognize *unrealized* gains and losses on equity securities via the income statement since 2018. Previously, *unrealized* gains and losses on equity securities impacted other comprehensive income.⁹

During fiscal 2020, GRI applied for a \$950,000 Paycheck Protection Program (PPP) loan from the federal government. This loan was fully forgiven during fiscal 2021 which accounts for the majority of the boost to other income during that year. The forgiven amount of the loan was not considered taxable income. The corporate income tax cut that went into effect in calendar 2018 is fully reflected in GRI's results starting in fiscal 2019. GRI has historically paid significant income taxes with the main deviation from the statutory rate due to the dividends received deduction and domestic production tax benefits. As a result, GRI's tax burden was materially reduced by the corporate tax cut which has boosted net income.

It is helpful to differentiate between the results GRI posts from its business operations and the results related to its large portfolio of marketable securities. Focusing on GRI's operating income allows us to understand the strength of the underlying business and strips away the volatility caused by the marketable securities portfolio and one-time non-operating windfalls like the forgiven PPP loan.¹⁰

We will return to GRI's operating income in the next section when we consider the company's underlying earnings power relative to capital required to run the business. For now, we will turn our attention to the company's balance sheet.

has acknowledged that it has a "material weakness" in financial reporting due to the CEO and CFO roles being the responsibility of one person and the board not having an audit committee. This is a small business that seems to struggle with the reporting burdens of being a public company, but I have not seen any evidence of malfeasance.

⁹ For more information on this distortion to net income, I recommend reading [Berkshire Hathaway's Distorted Quarterly Results](#) which I published last month. The same distortion that affects Berkshire Hathaway impacts GRI's financial statements.

¹⁰ The question of whether GRI should have applied for a PPP loan is legitimate. Assuming that the company qualified based on the terms of the program, it is difficult to find fault with management despite the fact that GRI is clearly overcapitalized. The situation was indeed uncertain in early 2020, the aid was offered to GRI's competitors as well as other employers in its local community, and it was responsible to take advantage of it. Was it ethical to accept the forgiveness once the crisis passed? This is a political question beyond the scope of this analysis. I would note, however, that GRI has paid significant federal income taxes over its history, and one could arguably view this as a one-time "tax rebate".

Balance Sheet Analysis

GRI has a fortress balance sheet and is overcapitalized relative to the requirements of its operating business. This was true when I first looked at the company a dozen years ago and is even more true today. The company's investment portfolio has increased from \$20,280,000 on April 30, 2012 to \$30,979,000 on April 30, 2022. In addition to the investment portfolio, the company has \$6,078,000 of cash on the balance sheet. The following exhibit shows the evolution of the balance sheet over the past decade:

	4/30/22	4/30/21	4/30/20	4/30/19	4/30/18	4/30/17	4/30/16	4/30/15	4/30/14	4/30/13	4/30/12
ASSETS											
CURRENT ASSETS:											
Cash and equivalents	6,078,000	7,326,000	6,458,000	4,873,000	4,294,000	6,456,000	5,918,000	5,691,000	5,872,000	4,859,000	5,773,000
Investments and securities	30,979,000	33,337,000	25,322,000	27,291,000	26,346,000	26,382,000	24,530,000	25,266,000	23,904,000	22,208,000	20,280,000
Accounts Receivable, net	4,114,000	3,812,000	2,964,000	2,696,000	2,545,000	1,848,000	1,912,000	2,007,000	2,034,000	1,915,000	1,669,000
Notes Receivable	-	-	-	-	-	-	-	1,000	-	5,000	4,000
Income Tax Overpayment	-	-	56,000	259,000	747,000	253,000	199,000	534,000	-	347,000	-
Inventories	7,940,000	5,622,000	5,103,000	4,583,000	3,267,000	2,304,000	2,964,000	2,275,000	2,233,000	2,074,000	2,351,000
Prepaid Expenses	1,362,000	405,000	516,000	282,000	603,000	193,000	68,000	108,000	132,000	60,000	141,000
Deferred Current Income Taxes	-	-	-	-	-	-	-	-	-	-	119,000
Other	16,000	16,000	18,000	6,000	2,000	3,000	-	3,000	3,000	1,000	1,000
Total Current Assets	50,489,000	50,518,000	40,437,000	39,990,000	37,804,000	37,439,000	35,591,000	35,885,000	34,178,000	31,469,000	30,338,000
LONG TERM ASSETS:											
Property and Equipment, net at cost	1,782,000	1,704,000	1,465,000	984,000	1,076,000	739,000	756,000	661,000	625,000	701,000	771,000
Investment in Ltd Land Partnership, cost	344,000	320,000	320,000	293,000	293,000	273,000	253,000	253,000	238,000	238,000	228,000
Projects in Process	83,000	200,000	21,000	117,000	-	13,000	68,000	56,000	41,000	45,000	44,000
Long Term Receivables	-	-	-	-	-	-	-	-	-	-	-
Note Receivable	-	-	-	-	-	-	-	-	-	2,000	5,000
Intangible Assets, net	1,271,000	1,394,000	1,517,000	1,640,000	1,763,000	-	-	-	-	-	-
Other	62,000	-	2,000	3,000	6,000	-	-	1,000	1,000	1,000	1,000
Total Long Term Assets	3,542,000	3,618,000	3,325,000	3,037,000	3,138,000	1,025,000	1,077,000	971,000	905,000	987,000	1,049,000
TOTAL ASSETS	54,031,000	54,136,000	43,762,000	43,027,000	40,942,000	38,464,000	36,668,000	36,856,000	35,083,000	32,456,000	31,387,000
LIABILITIES & SHAREHOLDER EQUITY											
CURRENT LIABILITIES											
Accounts Payable, trade	320,000	477,000	187,000	206,000	336,000	69,000	31,000	110,000	109,000	68,000	96,000
Notes Payable, Current portion	-	-	950,000	-	-	-	-	-	-	-	-
Dividends Payable	2,296,000	2,080,000	1,892,000	1,714,000	1,580,000	1,416,000	1,255,000	1,099,000	953,000	817,000	589,000
Income Tax Payable	277,000	81,000	-	-	-	-	-	-	75,000	-	246,000
Deferred Income Taxes	-	-	-	-	-	-	87,000	857,000	769,000	432,000	-
Property Taxes	-	-	-	-	12,000	-	-	-	-	-	-
Accrued Payroll and related expenses	354,000	359,000	450,000	356,000	329,000	308,000	320,000	306,000	278,000	259,000	212,000
Total Current Liabilities	3,247,000	2,997,000	3,479,000	2,276,000	2,257,000	1,793,000	1,693,000	2,372,000	2,184,000	1,576,000	1,143,000
LONG TERM LIABILITIES											
Notes Payable	-	-	-	-	-	-	-	-	-	-	-
Aircraft ownership deposit payable	-	-	-	-	-	-	-	-	-	-	5,000
Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Deferred Income Taxes	1,742,000	2,735,000	699,000	1,198,000	955,000	906,000	191,000	115,000	100,000	133,000	124,000
Total Long Term Liabilities	1,742,000	2,735,000	699,000	1,198,000	955,000	906,000	191,000	115,000	100,000	133,000	129,000
Stockholders' equity:											
Convertible preferred stock	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000
Common stock	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000
Additional paid-in capital	1,934,000	1,934,000	1,934,000	1,934,000	1,934,000	1,736,000	1,736,000	1,736,000	1,736,000	1,736,000	1,736,000
Accumulated other comprehensive income	(137,000)	108,000	(4,000)	14,000	2,249,000	1,239,000	347,000	1,282,000	1,222,000	743,000	278,000
Retained earnings	50,843,000	49,749,000	41,006,000	40,883,000	36,746,000	35,981,000	35,337,000	33,960,000	32,417,000	30,806,000	30,603,000
Less treasury stock	(4,547,000)	(4,336,000)	(4,301,000)	(4,227,000)	(4,148,000)	(4,140,000)	(3,585,000)	(3,558,000)	(3,525,000)	(3,487,000)	(3,451,000)
SHAREHOLDERS' EQUITY	49,042,000	48,404,000	39,584,000	39,553,000	37,730,000	35,765,000	34,784,000	34,369,000	32,799,000	30,747,000	30,115,000
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	54,031,000	54,136,000	43,762,000	43,027,000	40,942,000	38,464,000	36,668,000	36,856,000	35,083,000	32,456,000	31,387,000

Source: SEC Filings

Shareholders equity has increased from \$30,115,000 to \$49,042,000 over the ten year period. Current assets account for 93% of total assets on the balance sheet. Until fiscal 2018, the company had no intangible assets, but the acquisition of LSDI added \$1,763,000 of intangibles that are being amortized over fifteen years. The company is debt free. GRI owns its facilities and has no lease obligations.

As of April 30, 2022, there were 4,931,188 shares of common stock outstanding. Additionally, there were 4,100 shares of preferred stock outstanding which are convertible at the option of the holder into five common shares. Preferred stock is entitled to a dividend of \$1 per share annually before common dividends can be paid.

However, apparently this immaterial requirement has been waived since substantial common dividends have been paid throughout the ten year period. It does not appear that the preferred stock has any additional rights beyond conversion and dividends.

The following exhibit displays the common share count and important metrics on a per-share basis. As we can see, the share count has been declining as a result of repurchases which will be discussed more fully in the capital allocation section.

	4/30/22	4/30/21	4/30/20	4/30/19	4/30/18	4/30/17	4/30/16	4/30/15	4/30/14	4/30/13	4/30/12
Share Count	4,931,188	4,946,469	4,949,927	4,958,610	4,968,097	4,945,275	5,021,860	5,025,725	5,030,175	5,035,525	5,042,550
Book Value Per Share	9.95	9.79	8.00	7.98	7.59	7.23	6.93	6.84	6.52	6.11	5.97
Tangible Book Value Per Share	9.69	9.50	7.69	7.65	7.24	7.23	6.93	6.84	6.52	6.11	5.97
Cash, ST Deposits, and ST Marketable Sec/Shr	7.51	8.22	6.42	6.49	6.17	6.64	6.06	6.16	5.92	5.38	5.17
Net Net Current Assets	9.23	9.05	7.33	7.36	6.96	7.02	6.71	6.65	6.34	5.91	5.76
Marketable securities/share	6.28	6.74	5.12	5.50	5.30	5.33	4.88	5.03	4.75	4.41	4.02
Current Ratio	15.5	16.9	11.6	17.6	16.7	20.9	21.0	15.1	15.6	20.0	26.5

Source: Author's calculations based on SEC Filings

GRI shares last traded at \$11.52 which is ~116% of book value and ~119% of tangible book value per share at April 30, 2022. Over the ten year period, book value per share compounded at ~5.2%. Marketable securities, which represents excess capital, account for \$6.28 per share. Current assets minus all liabilities were \$9.23 on April 30, 2022.

The following exhibit from the fiscal 2022 10-K shows the composition of GRI's marketable securities portfolio. GRI delegates responsibility for the securities portfolio to a money manager who has discretionary authority to place trades. While the money manager is described as an "expert", no performance figures are given for historical returns on the different asset classes that the company holds.¹¹

Investments at April 30, 2022	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Reported Value
Municipal bonds	\$ 5,625,000	\$ 41,000	\$ (229,000)	\$ 5,437,000
REITs	\$ 131,000	\$ 16,000	\$ (3,000)	\$ 144,000
Equity securities	\$ 18,322,000	\$ 6,921,000	\$ (473,000)	\$ 24,770,000
Money Markets and CDs	\$ 628,000	\$ -	\$ -	\$ 628,000
Total	\$ 24,706,000	\$ 6,978,000	\$ (705,000)	\$ 30,979,000

Source: [Fiscal 2022 10-K](#)

As a thought experiment, let us consider what GRI's balance sheet might look like if it was restructured with the aim of retaining sufficient capital to run the business and to distribute excess cash and securities to shareholders. The exhibit on the next page is what I might *hypothetically* propose in a restructuring. The rows highlighted in yellow differ between the actual balance sheet on April 30, 2022 and my proposal.

¹¹ I could have attempted to estimate the portfolio returns by asset class, but I think that the bottom line is that the company is claiming no inherent expertise in portfolio management. Delegation of management of the portfolio to a third party is something shareholders could do with their money individually rather than doing so via a portfolio held within GRI.

Pro-Forma Condensed Balance Sheets as of 4/30/2022	Actual	Proposed
Assets		
Current assets:		
Cash and equivalents	6,078,000	2,000,000
Investments and securities	30,979,000	-
Accounts receivable, net	4,114,000	4,114,000
Inventories	7,940,000	7,940,000
Prepaid expenses and other	1,378,000	1,378,000
Total current assets	50,489,000	15,432,000
Property and Equipment, net at cost	1,782,000	1,782,000
Investment in Ltd Land Partnership, cost	344,000	344,000
Projects in Process	83,000	83,000
Intangible Assets, net	1,271,000	1,271,000
Other	62,000	62,000
Total Assets	54,031,000	18,974,000
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts Payable, trade	320,000	320,000
Dividends Payable	2,296,000	2,296,000
Income Tax Payable	277,000	277,000
Accrued Payroll and related expenses	354,000	354,000
Total current liabilities	3,247,000	3,247,000
Deferred income tax liability (asset)	1,742,000	(65,000)
Total liabilities	4,989,000	3,182,000
Shareholders equity	49,042,000	15,792,000
Total liabilities and shareholders equity	54,031,000	18,974,000

Source: SEC Filings and author's estimates

Let's consider the logic behind each of the proposed changes:

- We would leave \$2 million of cash and distribute the excess ~\$4 million to shareholders.
- The entire securities portfolio would be liquidated with the after-tax proceeds distributed to shareholders. This would zero out both the investments and securities asset and the \$1,807,000 deferred tax liability associated with unrealized gains within the portfolio.
- I have left the \$344,000 investment in a land partnership intact. In 2002, GRI purchased an interest in land located in Winter Park, Colorado. The liquidity of this non-operating asset is not clear based on the company's disclosures.
- The net effect of these changes would leave GRI with \$15,792,000 of shareholders equity.
- Total distribution to shareholders would be \$33,250,000, or ~\$6.75 per share.

Although I did not alter the dividend payable current liability, I would note that dividends represent a discretionary obligation that would likely be revisited in light of the new capital structure. Current liabilities excluding the dividend payable is just \$951,000 relative to \$15,432,000 of current assets, of which \$2 million would be held in cash. It seems to me that the restructured balance sheet remains very conservative, especially in light of the company's proven cash flow generation capabilities which should not be impeded in the least by these proposed changes.

The restructured balance sheet reveals the high quality of GRI's operating business. Operating income in fiscal 2022 was \$5,648,000. If we apply the company's blended statutory tax rate of 28.8% to operating income, we arrive at net income of ~\$4 million.¹² We can conclude that a restructured GRI would have earnings power of ~\$4 million supported by equity of ~\$16 million translating into a return on equity of 25%.

¹² The company's actual tax rate post-restructuring is likely to be somewhat below the statutory blended rate of 28.8% given state income tax deductions and other adjustments, but for simplicity and conservatism, I opted to use the blended statutory rate in the example.

Free Cash Flow and Capital Allocation

Let's turn our attention to GRI's free cash flow and how management has allocated the cash. The exhibit below shows selected data that paints a clear picture regarding GRI's cash flow generating capabilities over the past decade:

Selected Cash Flow Data:	Fiscal Years Ending On										Cumulative Totals
	4/30/22	4/30/21	4/30/20	4/30/19	4/30/18	4/30/17	4/30/16	4/30/15	4/30/14	4/30/13	
Cash flows from operations	1,969,000	3,792,000	3,320,000	2,735,000	370,000	3,184,000	2,894,000	2,480,000	2,991,000	2,198,000	25,933,000
Less capital expenditures	(390,000)	(517,000)	(731,000)	(154,000)	(533,000)	(115,000)	(288,000)	(186,000)	(81,000)	(104,000)	(3,099,000)
Free cash flow	1,579,000	3,275,000	2,589,000	2,581,000	(163,000)	3,069,000	2,606,000	2,294,000	2,910,000	2,094,000	22,834,000
Selected uses of cash:											
Dividends	(2,257,000)	(1,891,000)	(1,803,000)	(1,752,000)	(1,617,000)	(1,596,000)	(1,553,000)	(1,463,000)	(1,374,000)	(2,290,000)	(17,596,000)
Share repurchases	(211,000)	(35,000)	(74,000)	(79,000)	(10,000)	(555,000)	(27,000)	(33,000)	(38,000)	(36,000)	(1,098,000)
Cash paid to acquire LSDI	-	-	-	-	(3,000,000)	-	-	-	-	-	(3,000,000)
Total selected uses of cash:	(2,468,000)	(1,926,000)	(1,877,000)	(1,831,000)	(4,627,000)	(2,151,000)	(1,580,000)	(1,496,000)	(1,412,000)	(2,326,000)	(21,694,000)

Source: SEC Filings, Author's estimates

Over the ten year period, GRI generated \$22,834,000 of free cash flow. The majority of free cash flow was returned to shareholders via \$17,596,000 of dividends and \$1,098,000 of share repurchases. In October 2017, GRI acquired LSDI for \$3.2 million, of which \$3 million was paid in cash and \$200,000 was paid in GRI stock.

Cash flow from operations *excludes* the effect of realized investment gains and losses from the securities portfolio but *includes* the after-tax proceeds of interest and dividends. Over the ten year period, GRI received \$8,574,000 of interest and dividends.¹³ If the marketable securities portfolio is divested, GRI's free cash flow would decline by the after-tax value of the foregone dividend and interest income.

Cash flow for two of the fiscal years in the exhibit requires further elaboration:

- In fiscal 2018, GRI acquired LSDI. During that fiscal year, cash flows from operations was unusually low. According to the 2018 10-K, inventories increased by \$980,000, the majority of which was inventory acquired as part of the LSDI transaction. Accounts receivable increased by \$701,000 which was partly due to receivables acquired as part of the LSDI transaction.
- In fiscal 2022, GRI increased inventories by \$2,430,000 which was driven by having more raw materials on hand due to supporting higher sales and inflation of inventory costs. This reduced cash flow from operations and free cash flow.

Aside from the LSDI transaction and higher sales starting in late fiscal 2020 due to a competitor going out of business, GRI's sales have been relatively stagnant. Management has clearly recognized that there are limited expansion opportunities and has elected to return the vast majority of free cash flow generated over the past decade to shareholders.

¹³ GRI does not segregate dividends from interest, so it is difficult to determine the effective tax rate that was paid on this income. Dividends from holdings of common stock generally should qualify for 50% dividends received deduction. Interest from municipal bonds are tax free while other interest income would be fully taxable. There is not enough information to ballpark an after-tax figure.

From management's discussion of share repurchases over the years, it appears that most buybacks occur as a result of shareholders initiating a transaction rather than GRI buying shares on the open market. In the past, GRI has written about trying to find "lost" shareholders. The company does not have an independent stock transfer agent and maintains all shareholder records internally. Surprisingly, there were 1,108 stockholders of record as of April 30, 2022.

One gets the sense that management would repurchase more shares if these small stockholders could be "found" or if they contact the company with an offer to sell. Absent more repurchase opportunities, management opts to return cash via dividends.

GRI management has expressed an interest in acquiring businesses in annual reports and they finally took action in October 2017 by purchasing LSDI which was owned by Roy Bowling, an early member of the GRI board of directors who had the following to say when the transaction was announced:

"I am pleased and proud to hand over the 35-year legacy of Labor Saving Devices, Inc. to such a high-quality company. As a former board member, I have great respect for the history and tradition of George Risk Industries, Inc. I would not have sold my business to anyone else." ¹⁴

Management paid \$3.2 million in exchange for what is now the Cable and Wiring Tools segment. This segment generated \$580,000 of operating income on \$2,130,000 of revenue in fiscal 2022. From the limited information available, it appears that the LSDI acquisition was a sensible one that complements GRI's existing product lines and can be cross sold to customers. However, the transaction obviously came about due to local connections. Aside from LSDI, GRI has not been successful making additional acquisitions. This calls into question the need for the large securities portfolio to act as "dry powder" for future acquisitions.

¹⁴ Source: [The History of George Risk Industries](#)

Conclusion

GRI is a family-run operation with nearly six decades of history which is currently run by Stephanie Risk-McElroy, the granddaughter of the company's founder. Through trusts controlled by Bonita Risk, Ms. Risk-McElroy's mother, the Risk family controls ~60% of shares outstanding.

Although not without its quirks, the company's operations appear to be managed competently. Ms. Risk-McElroy earned \$152,000 in fiscal 2022. Bonita Risk, who is a director of the company and also serves as an employee, earned \$189,000 in fiscal 2022. In addition to Stephanie Risk-McElroy and Bonita Risk, the company has three non-employee directors who each earn \$200 per year in director fees.

In the past, there were small related-party transactions in which Bonita Risk rented a building to the company for \$18,420 per year, but this issue was resolved in November 2019 when Bonita Risk sold the building to the company for \$200,000. The company does have a banking relationship and holds ~\$5 million with a local financial institution run by one of the non-employee directors.

It is apparent that the Risk family could extract far more from GRI in compensation but chooses not to do so. Without being aware of local real estate conditions in Kimball, it isn't possible to know if the resolution of the building lease situation was equitable, but the numbers certainly seem reasonable to me. Having a banking relationship with a director of the company is probably a function of local business ties in a small community.

While the family seems to be doing a fine job managing the business, I take issue with the presence of the large marketable securities portfolio. It does not appear to serve a legitimate purpose and since management has no special competence running an investment portfolio, that task is outsourced to a money manager. The family might prefer to keep this money within the business for a "rainy day" or to defer taxes.

With the Risk family in firm voting control, any attempt to bring about change with respect to the securities portfolio would have to be done through persuasion. No outside shareholder can gain voting control to force the issues. Even if an outside shareholder could force the issue, it probably is not wise to do so since the Risk family is clearly an important part of the value of the operating business.

Given all of these caveats, is there any reason to own shares?

- In the balance sheet section, I estimated that \$6.75 per share could be distributed to shareholders without disrupting the company's operations.
- At that point, the operating business would likely generate ~\$4 million of net income using only ~\$16 million of capital.
- This would amount to ~\$0.80 per share of net income.
- Shares last changed hands at \$11.52 on September 6.

- Deducting \$6.75 of distributable cash and marketable securities from \$11.52 leaves us with \$4.77 per share attributable to an operating business that has earnings power of \$0.80 per share. This is a valuation of ~6x net income.

Of course, the \$6.75 per share is *not* likely to be distributed to shareholders. It will remain invested by the company. However, we can still mentally view the operating business in the same way with the understanding that it does not need and is not using the excess capital on the balance sheet.

The question is whether one wishes to partner with the Risk family or not. With the family likely to hold a controlling interest in GRI for a long time, returns for a “partner” will amount to dividends plus the accumulation of value within GRI.

The current dividend is \$0.50 per share representing a yield of 4.3%. The dividend has been regularly increased over the years. Over the past decade, book value per share has compounded at 5.2%. To purchase shares, one should be comfortable with these sorts of numbers and not anticipate “unlocking value” except potentially by persuading the family to distribute the excess capital.

Hopefully this case study was intellectually interesting even if it does not represent an investable opportunity for most readers. GRI seems like the sort of situation that Warren Buffett would have looked at in the 1950s, although I have no idea if he would have accumulated shares or used his skills of persuasion in an attempt to distribute the securities portfolio. My guess is that he would not have been interested without the prospect of gaining control of the company and being able to control the portfolio.

Financial Statements

Balance Sheets

	4/30/22	4/30/21	4/30/20	4/30/19	4/30/18	4/30/17	4/30/16	4/30/15	4/30/14	4/30/13	4/30/12	4/30/11	4/30/10	4/30/09	4/30/08	4/30/07
ASSETS																
CURRENT ASSETS:																
Cash and equivalents	6,078,000	7,326,000	6,458,000	4,873,000	4,294,000	6,456,000	5,918,000	5,691,000	5,872,000	4,859,000	5,773,000	5,254,000	3,641,000	4,671,000	4,072,000	4,611,000
Investments and securities	30,979,000	33,337,000	25,322,000	27,291,000	26,346,000	26,382,000	24,530,000	25,266,000	23,904,000	22,208,000	20,280,000	19,512,000	19,607,000	15,691,000	17,533,000	16,738,000
Accounts Receivable, net	4,114,000	3,812,000	2,964,000	2,696,000	2,545,000	1,848,000	1,912,000	2,007,000	2,034,000	1,915,000	1,669,000	1,574,000	1,295,000	1,273,000	1,510,000	1,928,000
Notes Receivable	-	-	-	-	-	-	-	1,000	-	5,000	4,000	6,000	11,000	3,000	3,000	-
Income Tax Overpayment	-	-	56,000	259,000	747,000	253,000	199,000	534,000	-	347,000	-	-	216,000	137,000	471,000	137,000
Inventories	7,940,000	5,622,000	5,103,000	4,583,000	3,267,000	2,304,000	2,964,000	2,275,000	2,233,000	2,074,000	2,351,000	1,854,000	1,968,000	2,741,000	3,100,000	3,060,000
Prepaid Expenses	1,362,000	405,000	516,000	282,000	603,000	193,000	68,000	108,000	132,000	60,000	141,000	151,000	142,000	81,000	103,000	125,000
Deferred Current Income Taxes	-	-	-	-	-	-	-	-	-	-	119,000	166,000	266,000	1,127,000	250,000	115,000
Other	16,000	16,000	18,000	6,000	2,000	3,000	-	3,000	3,000	1,000	1,000	-	-	-	-	-
Total Current Assets	50,489,000	50,518,000	40,437,000	39,990,000	37,804,000	37,439,000	35,591,000	35,885,000	34,178,000	31,469,000	30,338,000	28,517,000	27,146,000	25,724,000	27,042,000	26,714,000
LONG TERM ASSETS:																
Property and Equipment, net at cost	1,782,000	1,704,000	1,465,000	984,000	1,076,000	739,000	756,000	661,000	625,000	701,000	771,000	639,000	733,000	802,000	831,000	828,000
Investment in Ltd Land Partnership, cost	344,000	320,000	320,000	293,000	293,000	273,000	253,000	253,000	238,000	238,000	228,000	218,000	200,000	200,000	200,000	200,000
Projects in Process	83,000	200,000	21,000	117,000	-	13,000	68,000	56,000	41,000	45,000	44,000	213,000	112,000	68,000	68,000	75,000
Long Term Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	40,000	60,000	60,000
Note Receivable	-	-	-	-	-	-	-	-	-	2,000	5,000	1,000	7,000	9,000	12,000	-
Intangible Assets, net	1,271,000	1,394,000	1,517,000	1,640,000	1,763,000	-	-	-	-	-	-	-	-	-	-	-
Other	62,000	-	2,000	3,000	6,000	-	-	1,000	1,000	1,000	1,000	-	-	-	1,000	18,000
Total Long Term Assets	3,542,000	3,618,000	3,325,000	3,037,000	3,138,000	1,025,000	1,077,000	971,000	905,000	987,000	1,049,000	1,071,000	1,052,000	1,119,000	1,172,000	1,181,000
TOTAL ASSETS	54,031,000	54,136,000	43,762,000	43,027,000	40,942,000	38,464,000	36,668,000	36,856,000	35,083,000	32,456,000	31,387,000	29,588,000	28,198,000	26,843,000	28,214,000	27,895,000
LIABILITIES & SHAREHOLDER EQUITY																
CURRENT LIABILITIES																
Accounts Payable, trade	320,000	477,000	187,000	206,000	336,000	69,000	31,000	110,000	109,000	68,000	96,000	128,000	57,000	35,000	67,000	127,000
Notes Payable, Current portion	-	-	950,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends Payable	2,296,000	2,080,000	1,892,000	1,714,000	1,580,000	1,416,000	1,255,000	1,099,000	953,000	817,000	589,000	483,000	395,000	317,000	239,000	161,000
Income Tax Payable	277,000	81,000	-	-	-	-	-	-	75,000	-	246,000	36,000	-	-	-	-
Deferred Income Taxes	-	-	-	-	-	-	87,000	857,000	769,000	432,000	-	-	-	-	-	-
Property Taxes	-	-	-	-	12,000	-	-	-	-	-	-	-	-	-	-	-
Accrued Payroll and related expenses	354,000	359,000	450,000	356,000	329,000	308,000	320,000	306,000	278,000	259,000	212,000	212,000	198,000	306,000	321,000	337,000
Total Current Liabilities	3,247,000	2,997,000	3,479,000	2,276,000	2,257,000	1,793,000	1,693,000	2,372,000	2,184,000	1,576,000	1,143,000	859,000	650,000	658,000	627,000	625,000
LONG TERM LIABILITIES																
Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-	5,000	-	-	25,000
Aircraft ownership deposit payable	-	-	-	-	-	-	-	-	-	-	5,000	5,000	-	-	-	-
Long Term Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Income Taxes	1,742,000	2,735,000	699,000	1,198,000	955,000	906,000	191,000	115,000	100,000	133,000	124,000	53,000	75,000	86,000	79,000	74,000
Total Long Term Liabilities	1,742,000	2,735,000	699,000	1,198,000	955,000	906,000	191,000	115,000	100,000	133,000	129,000	58,000	80,000	86,000	79,000	99,000
Stockholders' equity:																
Convertible preferred stock	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000
Common stock	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000
Additional paid-in capital	1,934,000	1,934,000	1,934,000	1,934,000	1,934,000	1,736,000	1,736,000	1,736,000	1,736,000	1,736,000	1,736,000	1,736,000	1,736,000	1,736,000	1,736,000	1,736,000
Accumulated other comprehensive income	(137,000)	108,000	(4,000)	14,000	2,249,000	1,239,000	347,000	1,282,000	1,222,000	743,000	278,000	281,000	13,000	(940,000)	(67,000)	165,000
Retained earnings	50,843,000	49,749,000	41,006,000	40,883,000	36,746,000	35,981,000	35,337,000	33,960,000	32,417,000	30,806,000	30,603,000	29,115,000	28,102,000	27,423,000	27,788,000	26,430,000
Less treasury stock	(4,547,000)	(4,336,000)	(4,301,000)	(4,227,000)	(4,148,000)	(4,140,000)	(3,585,000)	(3,558,000)	(3,525,000)	(3,487,000)	(3,451,000)	(3,410,000)	(3,332,000)	(3,069,000)	(2,898,000)	(2,109,000)
SHAREHOLDERS' EQUITY	49,042,000	48,404,000	39,584,000	39,553,000	37,730,000	35,765,000	34,784,000	34,369,000	32,799,000	30,747,000	30,115,000	28,671,000	27,468,000	26,099,000	27,508,000	27,171,000
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	54,031,000	54,136,000	43,762,000	43,027,000	40,942,000	38,464,000	36,668,000	36,856,000	35,083,000	32,456,000	31,387,000	29,588,000	28,198,000	26,843,000	28,214,000	27,895,000
Share Count	4,931,188	4,946,469	4,949,927	4,958,610	4,968,097	4,945,275	5,021,860	5,025,725	5,030,175	5,035,525	5,042,550	5,050,975	5,064,480	5,126,284	5,176,281	5,336,728
Book Value Per Share	9.95	9.79	8.00	7.98	7.59	7.23	6.93	6.84	6.52	6.11	5.97	5.68	5.42	5.09	5.31	5.09
Tangible Book Value Per Share	9.69	9.50	7.69	7.65	7.24	7.23	6.93	6.84	6.52	6.11	5.97	5.68	5.42	5.09	5.31	5.09
Cash, ST Deposits, and ST Marketable Sec/Shr	7.51	8.22	6.42	6.49	6.17	6.64	6.06	6.16	5.92	5.38	5.17	4.90	4.59	3.97	4.17	4.00
Net Net Current Assets	9.23	9.05	7.33	7.36	6.96	7.02	6.71	6.65	6.34	5.91	5.76	5.46	5.22	4.87	5.09	4.87
Marketable securities/share	6.28	6.74	5.12	5.50	5.30	5.33	4.88	5.03	4.75	4.41	4.02	3.86	3.87	3.06	3.39	3.14

Income Statements

	For Fiscal Years Ending on															
	4/30/22	4/30/21	4/30/20	4/30/19	4/30/18	4/30/17	4/30/16	4/30/15	4/30/14	4/30/13	4/30/12	4/30/11	4/30/10	4/30/09	4/30/08	4/30/07
Net Sales	20,735,000	18,505,000	14,809,000	14,126,000	11,931,000	10,904,000	11,240,000	11,903,000	11,025,000	10,510,000	10,285,000	8,858,000	7,821,000	8,822,000	11,444,000	13,419,000
Less Cost of Goods Sold	10,720,000	9,176,000	7,404,000	7,326,000	6,316,000	5,224,000	4,977,000	5,466,000	4,902,000	5,089,000	4,760,000	4,667,000	4,324,000	4,646,000	5,755,000	6,506,000
Gross Profit	10,015,000	9,329,000	7,405,000	6,800,000	5,615,000	5,680,000	6,263,000	6,437,000	6,123,000	5,421,000	5,525,000	4,191,000	3,497,000	4,176,000	5,689,000	6,913,000
Operating Expenses:																
General & Administrative	1,426,000	1,443,000	1,304,000	1,235,000	1,127,000	914,000	853,000	817,000	728,000	790,000	776,000	754,000	719,000	748,000	735,000	689,000
Sales	2,857,000	2,479,000	2,278,000	2,167,000	1,888,000	1,892,000	1,937,000	1,960,000	1,806,000	1,821,000	1,612,000	1,552,000	1,575,000	1,813,000	2,016,000	2,443,000
Engineering	84,000	101,000	86,000	74,000	90,000	73,000	92,000	87,000	56,000	71,000	54,000	74,000	63,000	79,000	72,000	69,000
Rent Paid to Related Parties	-	-	7,000	18,000	18,000	18,000	19,000	19,000	19,000	41,000	46,000	46,000	46,000	51,000	53,000	53,000
Total Operating Expenses	4,367,000	4,023,000	3,675,000	3,494,000	3,123,000	2,897,000	2,901,000	2,883,000	2,609,000	2,723,000	2,488,000	2,426,000	2,403,000	2,691,000	2,876,000	3,254,000
Income From Operations	5,648,000	5,306,000	3,730,000	3,306,000	2,492,000	2,783,000	3,362,000	3,554,000	3,514,000	2,698,000	3,037,000	1,765,000	1,094,000	1,485,000	2,813,000	3,659,000
Other Income (Expense)																
Other Income	16,000	1,009,000	3,000	11,000	(112,000)	11,000	16,000	5,000	-	4,000	19,000	9,000	142,000	58,000	33,000	7,000
Interest Expense	-	-	(1,000)	(1,000)	-	-	-	(3,000)	(8,000)	(3,000)	-	-	-	(2,000)	(6,000)	-
Dividend and Interest Income	1,027,000	757,000	931,000	981,000	960,000	774,000	867,000	820,000	668,000	789,000	735,000	666,000	712,000	768,000	845,000	689,000
Unrealized Gain (Loss) on Equity Securities	(2,764,000)	7,007,000	(1,619,000)	444,000	-	-	-	-	-	-	-	-	-	-	-	-
Gain (Loss) on Sale of Investments	414,000	363,000	(384,000)	61,000	200,000	(40,000)	72,000	304,000	384,000	460,000	51,000	168,000	277,000	(1,374,000)	(163,000)	188,000
Gain (Loss) on Sale of Assets	-	4,000	5,000	(10,000)	6,000	-	-	5,000	11,000	-	12,000	-	7,000	-	15,000	-
Total Other Income	(1,307,000)	9,140,000	(1,065,000)	1,486,000	1,054,000	745,000	955,000	1,131,000	1,055,000	1,250,000	817,000	843,000	1,138,000	(550,000)	724,000	884,000
Income Before Taxes	4,341,000	14,446,000	2,665,000	4,792,000	3,546,000	3,528,000	4,317,000	4,685,000	4,569,000	3,948,000	3,854,000	2,608,000	2,232,000	935,000	3,537,000	4,543,000
Provision for Income Taxes																
Current Expense	1,669,000	1,636,000	1,056,000	1,024,000	972,000	1,140,000	1,252,000	1,474,000	1,488,000	1,000,000	1,087,000	696,000	525,000	661,000	1,235,000	1,483,000
Deferred Tax Expense	(894,000)	1,988,000	(495,000)	170,000	28,000	(13,000)	(21,000)	59,000	(41,000)	227,000	119,000	(114,000)	165,000	(242,000)	37,000	79,000
Total Income Tax Expense	775,000	3,624,000	561,000	1,194,000	1,000,000	1,127,000	1,231,000	1,533,000	1,447,000	1,227,000	1,206,000	582,000	690,000	419,000	1,272,000	1,562,000
Net Income	3,566,000	10,822,000	2,104,000	3,598,000	2,546,000	2,401,000	3,086,000	3,152,000	3,122,000	2,721,000	2,648,000	2,026,000	1,542,000	516,000	2,265,000	2,981,000
Avg Number of Shares Outstanding	4,962,325	4,969,210	4,972,777	4,983,047	4,977,584	5,004,513	5,024,428	5,029,343	5,032,117	5,058,337	5,065,203	5,057,337	5,080,387	5,167,806	5,307,829	5,340,769
Earnings Per Share	0.72	2.18	0.42	0.72	0.51	0.48	0.61	0.63	0.62	0.54	0.52	0.40	0.30	0.10	0.43	0.56
Dividends Paid per share	0.50	0.42	0.40	0.38	0.36	0.35	0.34	0.32	0.30	0.50	0.23	0.20	0.17	0.17	0.17	0.15
Gross Margin	48.3%	50.4%	50.0%	48.1%	47.1%	52.1%	55.7%	54.1%	55.5%	51.6%	53.7%	47.3%	44.7%	47.3%	49.7%	51.5%
Operating Margin	27.2%	28.7%	25.2%	23.4%	20.9%	25.5%	29.9%	29.9%	31.9%	25.7%	29.5%	19.9%	14.0%	16.8%	24.6%	27.3%
Net Margin	17.2%	58.5%	14.2%	25.5%	21.3%	22.0%	27.5%	26.5%	28.3%	25.9%	25.7%	22.9%	19.7%	5.8%	19.8%	22.2%

Cash Flow Statements

	4/30/22	4/30/21	4/30/20	4/30/19	4/30/18	4/30/17	4/30/16	For Fiscal Years Ending on											
								4/30/15	4/30/14	4/30/13	4/30/12	4/30/11	4/30/10	4/30/09	4/30/08	4/30/07			
Cash Flows From Operating Activities:																			
Net Income	3,566,000	10,822,000	2,104,000	3,598,000	2,546,000	2,401,000	3,086,000	3,152,000	3,122,000	2,721,000	2,648,000	2,026,000	1,542,000	516,000	2,265,000	2,981,000			
Adjustments to reconcile net income to CF from operating activities:																			
Depreciation and amortization	435,000	401,000	373,000	354,000	257,000	187,000	182,000	149,000	156,000	174,000	160,000	153,000	167,000	173,000	170,000	180,000			
Realized (gain) loss on sale of investments	(414,000)	(442,000)	227,000	(129,000)	(231,000)	(180,000)	(141,000)	(304,000)	(257,000)	(460,000)	(51,000)	(169,000)	(277,000)	1,376,000	163,000	(188,000)			
(Gain) Loss on sale of property and equipment	-	-	-	-	-	-	-	(5,000)	(127,000)	-	(12,000)	-	(7,000)	-	(15,000)	-			
Economic development debt relieved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(25,000)	-			
Impairment on investments	-	79,000	157,000	68,000	31,000	220,000	69,000	-	-	-	-	-	-	-	-	-			
Unrealized (gain) loss on equity securities	2,764,000	(7,007,000)	1,619,000	(444,000)	-	-	-	-	-	-	-	-	-	-	-	-			
PPP loan forgiveness	-	(950,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Provision for credit losses on accounts receivable	24,000	3,000	(2,000)	3,000	3,000	2,000	(2,000)	(4,000)	-	(2,000)	-	8,000	22,000	(43,000)	-	-			
Reserve for obsolete inventory	113,000	37,000	47,000	-	17,000	1,000	6,000	(116,000)	17,000	-	38,000	33,000	41,000	24,000	-	35,000			
(Gain) on sale of assets	-	(4,000)	(5,000)	10,000	(6,000)	-	-	-	-	-	-	-	-	-	-	-			
Deferred income taxes	(894,000)	1,988,000	(496,000)	170,000	28,000	(13,000)	(21,000)	59,000	(40,000)	227,000	119,000	(114,000)	165,000	(242,000)	37,000	198,000			
Changes in assets and liabilities																			
(Increase) decrease in:																			
Accounts receivable	(326,000)	(850,000)	(266,000)	(155,000)	(701,000)	62,000	98,000	31,000	(118,000)	(244,000)	(95,000)	(287,000)	(5,000)	299,000	416,000	213,000			
Inventories	(2,430,000)	(557,000)	(567,000)	(1,316,000)	(980,000)	660,000	(695,000)	74,000	(177,000)	277,000	(535,000)	81,000	732,000	336,000	(41,000)	(825,000)			
Prepaid expenses	(903,000)	(67,000)	(137,000)	207,000	(403,000)	(124,000)	40,000	24,000	(65,000)	80,000	10,000	(9,000)	(62,000)	22,000	22,000	(8,000)			
Other receivables	-	2,000	(12,000)	(5,000)	2,000	(3,000)	2,000	-	(2,000)	(1,000)	-	(1,000)	1,000	-	2,000	(3,000)			
Notes receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,000	-			
Long-term receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(60,000)			
Income tax overpayment	-	-	203,000	489,000	(494,000)	(55,000)	335,000	(609,000)	-	(593,000)	-	-	(79,000)	334,000	(334,000)	133,000			
Increase (decrease) in:																			
Accounts payable	(157,000)	291,000	(19,000)	(130,000)	268,000	38,000	(79,000)	1,000	41,000	(28,000)	(32,000)	71,000	22,000	(32,000)	(60,000)	(13,000)			
Accrued expenses	(5,000)	(91,000)	94,000	15,000	33,000	(12,000)	14,000	28,000	19,000	47,000	-	13,000	(108,000)	(15,000)	(15,000)	(29,000)			
Income tax payable	196,000	137,000	-	-	-	-	-	-	422,000	-	210,000	252,000	-	-	-	-			
Net cash from operating activities	1,969,000	3,792,000	3,320,000	2,735,000	370,000	3,184,000	2,894,000	2,480,000	2,991,000	2,198,000	2,460,000	2,057,000	2,154,000	2,748,000	2,587,000	2,614,000			
Cash Flows From Investing Activities																			
Other assets manufactured and purchased	-	-	-	-	-	-	-	(15,000)	(4,000)	1,000	169,000	(101,000)	(44,000)	-	25,000	(62,000)			
Proceeds from sale of assets	-	4,000	5,000	5,000	6,000	-	-	5,000	127,000	-	20,000	-	-	-	-	-			
(Purchase) of property and equipment	(390,000)	(517,000)	(731,000)	(154,000)	(533,000)	(115,000)	(288,000)	(186,000)	(81,000)	(104,000)	(298,000)	(60,000)	(98,000)	(143,000)	(176,000)	(82,000)			
Proceeds from sale of marketable securities	452,000	21,000	776,000	766,000	2,033,000	587,000	64,000	33,000	5,000	89,000	168,000	1,592,000	747,000	260,000	5,510,000	8,387,000			
(Purchase) of marketable securities	(787,000)	(506,000)	(831,000)	(942,000)	(767,000)	(947,000)	(864,000)	(986,000)	(620,000)	(760,000)	(891,000)	(868,000)	(2,748,000)	(1,296,000)	(6,868,000)	(10,922,000)			
(Purchase) of Land Limited Partnership, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
(Purchase) of intangible asset	-	-	-	-	(1,624,000)	-	-	-	-	-	-	-	-	-	-	-			
(Purchase) of long-term investment	(24,000)	-	(27,000)	-	(20,000)	(20,000)	-	(15,000)	-	(10,000)	(10,000)	(18,000)	-	-	-	-			
Loans made to employees	-	-	-	-	-	-	-	(2,000)	-	(3,000)	(10,000)	-	-	-	-	-			
Collection of loans to employees	-	-	-	-	-	-	1,000	1,000	7,000	5,000	7,000	12,000	7,000	3,000	-	-			
Net cash from investing activities	(749,000)	(998,000)	(808,000)	(325,000)	(905,000)	(495,000)	(1,087,000)	(1,165,000)	(566,000)	(782,000)	(845,000)	557,000	(2,136,000)	(1,176,000)	(1,509,000)	(2,679,000)			
Cash Flows From Financing Activities:																			
Proceeds from issuance of new debt	-	-	950,000	-	-	-	-	-	-	-	-	-	-	-	-	-			
Principal payments on long-term debt	-	-	-	-	-	-	-	-	-	(4,000)	-	-	-	-	-	(8,000)			
(Purchase) of preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
(Purchase) of treasury stock	(211,000)	(35,000)	(74,000)	(79,000)	(10,000)	(555,000)	(27,000)	(33,000)	(38,000)	-	(41,000)	(77,000)	(263,000)	(171,000)	(788,000)	(79,000)			
Dividends paid	(2,257,000)	(1,891,000)	(1,803,000)	(1,752,000)	(1,617,000)	(1,596,000)	(1,553,000)	(1,463,000)	(1,374,000)	(2,290,000)	(1,055,000)	(924,000)	(785,000)	(802,000)	(829,000)	(732,000)			
Net cash from financing activities	(2,468,000)	(1,926,000)	(927,000)	(1,831,000)	(1,627,000)	(2,151,000)	(1,580,000)	(1,496,000)	(1,412,000)	(2,330,000)	(1,096,000)	(1,001,000)	(1,048,000)	(973,000)	(1,617,000)	(819,000)			
Net Change in Cash and Cash Equivalents	(1,248,000)	868,000	1,585,000	579,000	(2,162,000)	538,000	227,000	(181,000)	1,013,000	(914,000)	519,000	1,613,000	(1,030,000)	599,000	(539,000)	(884,000)			
Cash and Cash Equivalents, beginning of year	7,326,000	6,458,000	4,873,000	4,294,000	6,456,000	5,918,000	5,691,000	5,872,000	4,859,000	5,773,000	5,254,000	3,641,000	4,671,000	4,072,000	4,611,000	5,495,000			
Cash and Cash Equivalents, end of year	6,078,000	7,326,000	6,458,000	4,873,000	4,294,000	6,456,000	5,918,000	5,691,000	5,872,000	4,859,000	5,773,000	5,254,000	3,641,000	4,671,000	4,072,000	4,611,000			
Free Cash Flow (CFO-Capex)	1,579,000	3,275,000	2,589,000	2,581,000	(163,000)	3,069,000	2,606,000	2,294,000	2,910,000	2,094,000	2,162,000	1,997,000	2,056,000	2,605,000	2,411,000	2,532,000			
FCF as % of Net Income	44%	30%	123%	72%	-6%	128%	84%	73%	93%	77%	82%	99%	133%	505%	106%	85%			