VALUE LINE INC
Form 10-Q
March 13, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 2019

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____________________________________

Commission File Number: 0-11306

VALUE LINE, INC.

(Exact name of registrant as specified in its charter)

New York	13-3139843
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
551 Fifth Avenue, New York, New York	10176-0001
(Address of principal executive offices)	(Zip Code)

(212) 907-1500

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes [X] No [ ]

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

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X]

Smaller reporting company [ ] Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

Yes [ ] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 12, 2019
Common stock, $0.10 par value	9,671,001 shares

VALUE LINE INC.

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Part I - Financial Information
Item 1. Financial Statements

Value Line, Inc.
Consolidated Condensed Balance Sheets
(in thousands, except share amounts)

	January 31, 2019 (unaudited)	April 30, 2018
Assets		
Current Assets:		
Cash and cash equivalents (including short term investments of $3,304 and $4,982, respectively)	$ 4,364	$ 5,941
Securities available-for-sale	19,269	17,844
Accounts receivable, net of allowance for doubtful accounts of $20 and $14, respectively	3,002	1,049
Prepaid and refundable income taxes	226	457
Prepaid expenses and other current assets	1,175	1,270
Total current assets	28,036	26,561
Long term assets:		
Investment in EAM Trust	58,358	58,233
Restricted money market investment	469	469
Property and equipment, net	1,197	1,371
Capitalized software and other intangible assets, net	145	154
Total long term assets	60,169	60,227
Total assets	$ 88,205	$ 86,788
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 1,523	$ 1,926
Accrued salaries	1,080	1,387
Dividends payable	1,839	1,841
Unearned revenue	18,887	19,717
Total current liabilities	23,329	24,871
Long term liabilities:		
Unearned revenue	5,012	5,808
Deferred charges	787	854
Deferred income taxes	12,186	11,714
Total long term liabilities	17,985	18,376
Total liabilities	41,314	43,247
Shareholders' Equity:		

Common stock, $0.10 par value; authorized 30,000,000 shares; issued 10,000,000 shares	1,000	1,000
Additional paid-in capital	991	991
Retained earnings	48,238	44,902
Treasury stock, at cost (324,104 and 308,380 shares, respectively)	(4,466)	(4,135)
Accumulated other comprehensive income, net of tax	1,128	783
Total shareholders' equity	46,891	43,541
Total liabilities and shareholders' equity	$ 88,205	$ 86,788

The accompanying notes are an integral part of these consolidated condensed financial statements.

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Part I - Financial Information
Item 1. Financial Statements

Value Line, Inc.
Consolidated Condensed Statements of Income
(in thousands, except share & per share amounts)
(unaudited)

	For the Three Months Ended January 31,		**For the Nine Months Ended January 31,**	
	2019	**2018**	**2019**	**2018**
Revenues:				
Investment periodicals and related publications	$7,201	$7,391	$21,755	$22,257
Copyright fees	1,851	1,703	5,319	4,740
Total publishing revenues	9,052	9,094	27,074	26,997
Expenses:				
Advertising and promotion	893	1,096	2,455	2,718
Salaries and employee benefits	4,417	4,739	13,164	13,813
Production and distribution	1,226	1,524	3,809	4,322
Office and administration	1,103	948	3,203	3,384
Total expenses	7,639	8,307	22,631	24,237
Income from operations	1,413	787	4,443	2,760
Revenues and profits interests in EAM Trust	2,210	2,284	6,865	6,657
Income from securities transactions, net	140	258	377	445
Income before income taxes	3,763	3,329	11,685	9,862
Income tax provision	1,312	(5,667)	2,828	(3,421)
Net income	$2,451	$8,996	$8,857	$13,283
Earnings per share, basic & fully diluted	$0.25	$0.93	$0.91	$1.37
Weighted average number of common shares	9,687,252	9,700,896	9,688,681	9,705,347

The accompanying notes are an integral part of these consolidated condensed financial statements.

Part I - Financial Information
Item 1. Financial Statements

Value Line, Inc.
Consolidated Condensed Statements of Comprehensive Income
(in thousands)
(unaudited)

	For the Three Months Ended January 31,		For the Nine Months Ended January 31,	
	2019	**2018**	**2019**	**2018**
Net income	$2,451	$8,996	$8,857	$13,283
Other comprehensive income, net of tax:				
Change in unrealized gains on securities, net of taxes	164	496	345	753
Other comprehensive income	164	496	345	753
Comprehensive income	$2,615	$9,492	$9,202	$14,036

The accompanying notes are an integral part of these consolidated condensed financial statements.

Part I - Financial Information
Item 1. Financial Statements

Value Line, Inc.
Consolidated Condensed Statements of Cash Flows
(in thousands)
(unaudited)

	For the Nine Months Ended January 31, 2019	2018
Cash flows from operating activities:		
Net income	$8,857	$13,283
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	287	815
Realized gain on sale of equity securities	-	(152)
Deferred income taxes	377	(6,405)
Deferred rent	(67)	444
Other, net	(45)	(45)
Changes in operating assets and liabilities:		
Unearned revenue	(1,626)	(1,547)
Accounts payable & accrued expenses	(403)	13
Accrued salaries	(307)	95
Accrued taxes on income	1	(211)
Prepaid and refundable income taxes	231	(486)
Prepaid expenses and other current assets	95	406
Accounts receivable	(1,953)	(1,785)
Total adjustments	(3,410)	(8,858)
Net cash provided by operating activities	5,447	4,425
Cash flows from investing activities:		
Purchases of fixed income securities classified as available-for-sale	(5,624)	(2,636)
Proceeds from sales of fixed income securities classified as available-for-sale	4,638	1,634
Proceeds from sales of equity securities classified as available-for-sale	-	152
Non-voting revenues interest in EAM Trust	(6,060)	(6,074)
Non-voting profits interest in EAM Trust	(805)	(583)
Distributions received from EAM Trust	6,785	6,575
Acquisition of property and equipment	(6)	(398)
Expenditures for capitalized software	(98)	-
Net cash used in investing activities	(1,170)	(1,330)
Cash flows from financing activities:		
Purchase of treasury stock at cost	(331)	(191)
Dividends paid	(5,523)	(5,243)
Net cash used in financing activities	(5,854)	(5,434)

Net decrease in cash and cash equivalents	(1,577)	(2,339)
Cash, cash equivalents and restricted cash at beginning of period	6,410	7,026
Cash, cash equivalents and restricted cash at end of period	$4,833	$4,687

The accompanying notes are an integral part of these consolidated condensed financial statements.

Part I - Financial Information
Item 1. Financial Statements

Value Line, Inc.
Consolidated Condensed Statement of Changes in Shareholders' Equity
For the Nine Months Ended January 31, 2019
(in thousands, except share amounts)
(unaudited)

	Common stock		**Additional paid-in**	**Treasury Stock**		**Retained**	**Accumulated Other Comprehensive**	
	Shares	**Amount**	**capital**	**Shares**	**Amount**	**earnings**	**income/(loss)**	**Total**
Balance at April 30, 2018	10,000,000	$ 1,000	$ 991	(308,380)	$ (4,135)	$ 44,902	$ 783	$ 43,541
Net income						8,857		8,857
Change in unrealized gains on securities, net of taxes							345	345
Purchase of treasury stock				(15,724)	(331)			(331)
Dividends declared						(5,521)		(5,521)
Balance at January 31, 2019	10,000,000	$ 1,000	$ 991	(324,104)	$ (4,466)	$ 48,238	$ 1,128	$ 46,891

Dividends declared per share were $0.19 for each of the three months ending July 31, 2018, October 31, 2018 and January 31, 2019.

The accompanying notes are an integral part of these consolidated condensed financial statements.

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Part I - Financial Information
Item 1. Financial Statements

Value Line, Inc.
Consolidated Condensed Statement of Changes in Shareholders' Equity
For the Nine Months Ended January 31, 2018
(in thousands, except share amounts)
(unaudited)

	Common stock		Additional paid-in	Treasury Stock		Retained	Accumulated Other Comprehensive	
	Shares	Amount	capital	Shares	Amount	earnings	income/(loss)	Total
Balance at April 30, 2017	10,000,000	$ 1,000	$ 991	(288,335)	$ (3,781)	$ 39,186	$ 458	$ 37,854
Net income						13,283		13,283
Change in unrealized gains on securities, net of taxes							753	753
Purchase of treasury stock				(11,150)	(191)			(191)
Dividends declared						(7,181)		(7,181)
Balance at January 31, 2018	10,000,000	$ 1,000	$ 991	(299,485)	$ (3,972)	$ 45,288	$ 1,211	$ 44,518

Dividends declared per share were $0.18 for each of the three months ending July 31, 2017, October 31, 2017 and January 31, 2018. In addition, a special dividend of $0.20 per share was declared on January 19, 2018.

The accompanying notes are an integral part of these consolidated condensed financial statements.

Value Line, Inc.
Notes to Consolidated Condensed Financial Statements
January 31, 2019
(Unaudited)

Note 1 - Organization and Summary of Significant Accounting Policies:

Value Line, Inc. ("Value Line" or "VLI", and collectively with its subsidiaries, the “Company”) is incorporated in the State of New York. The name "Value Line" as used to describe the Company, its products, and its subsidiaries, is a registered trademark of the Company. The Company's core business is producing investment periodicals and their underlying research and making available certain Value Line copyrights, Value Line trademarks and Value Line Proprietary Ranking System results and other proprietary information, to third parties under written agreements for use in third-party managed and marketed investment products and for other purposes. The Company maintains a significant investment in the EULAV Asset Management LLC ("EAM") from which it received a non-voting revenues interest and a non-voting profits interest. EAM was established to provide investment management services to the Value Line Mutual Funds ("Value Line Funds" or the "Funds").

The Consolidated Condensed Balance Sheets as of January 31, 2019 and April 30, 2018, which have been derived from the unaudited interim Consolidated Condensed Financial Statements and the audited Consolidated Financial Statements, respectively, were prepared following the interim reporting requirements of the Securities and Exchange Commission (“SEC”). In the opinion of management, the accompanying Unaudited Interim Consolidated Condensed Financial Statements contain all adjustments (consisting of normal recurring accruals except as noted below) considered necessary for a fair presentation. This report should be read in conjunction with the audited financial statements and footnotes contained in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2018 filed with the SEC on July 26, 2018 (the “Form 10-K”). Results of operations covered by this report may not be indicative of the results of operations for the entire year.

Use of Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Principles of Consolidation:

The Company follows the guidance in the Financial Accounting Standards Board's ("FASB") Topic 810 “Consolidation” to determine if it should consolidate its investment in a variable interest entity ("VIE"). A VIE is a legal entity in which either (i) equity investors do not have sufficient equity investment at risk to enable the entity to finance its activities independently or (ii) the equity holders at risk lack the obligation to absorb losses, the right to receive residual returns or the right to make decisions about the entity’s activities that most significantly affect the entity's economic performance. A holder of a variable interest in a VIE is required to consolidate the entity if it is determined that it has a controlling financial interest in the VIE and is therefore the primary beneficiary. The determination of a controlling financial interest in a VIE is based on a qualitative assessment to identify the variable interest holder, if any, that has (i) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance, and (ii) either the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. The accounting guidance requires the Company to perform an ongoing assessment of whether the Company is the primary beneficiary of a VIE and the Company has determined it is not the primary beneficiary of a VIE (see Note 3).

In accordance with FASB's Topic 810, the assets, liabilities, and results of operations of subsidiaries in which the Company has a controlling interest have been consolidated. All significant intercompany accounts and transactions have been eliminated in consolidation. On December 23, 2010, the Company completed the Restructuring Transaction and deconsolidated the related affiliates in accordance with FASB's Topic 810. As part of the Restructuring Transaction, the Company received a significant non-voting revenues interest (excluding distribution revenues) and a significant non-voting profits interest in the new entity, EULAV Asset Management, a Delaware statutory trust (“EAM” or “EAM Trust”). The Company relied on the guidance in FASB's ASC Topics 323 and 810 in its determination not to consolidate its investment in EAM and to account for such investment under the equity method of accounting. The Company reports the amount it receives for its non-voting revenues and non-voting profits interests as a separate line item below operating income in the Consolidated Condensed Statements of Income.

Revenue Recognition:

Depending upon the product, subscription fulfillment for Value Line periodicals and related publications is available in print or digitally, via internet access. The length of a subscription varies by product and offer received by the subscriber. Generally, subscriptions are offered as annual subscriptions. Subscription revenues, net of discounts, are recognized ratably on a straight line basis when the product is served to the client over the life of the subscription. Accordingly, the amount of subscription fees to be earned by fulfilling subscriptions after the date of the balance sheets are shown as unearned revenue within current and long-term liabilities.

Copyright fees are derived from providing certain Value Line trademarks and the Value Line Proprietary Ranking System results to third parties under written agreements for use in selecting securities for third party marketed products, including unit investment trusts, annuities and exchange traded funds ("ETFs"). The Company earns asset-based copyright fees as specified in the individual agreements. Revenue is recognized monthly over the term of the agreement and, because it is asset-based, will fluctuate as the market value of the underlying portfolio increases or decreases in value.

Investment in Unconsolidated Entities:

The Company accounts for its investment in its unconsolidated entity, EAM, using the equity method of accounting in accordance with FASB’s ASC 323. The equity method is an appropriate means of recognizing increases or decreases measured by GAAP in the economic resources underlying the investments. Under the equity method, an investor recognizes its share of the earnings or losses of an investee in the periods for which they are reported by the investee in its financial statements rather than in the period in which an investee declares a dividend or distribution. An investor adjusts the carrying amount of an investment for its share of the earnings or losses recognized by the investee.

Value Line, Inc.
Notes to Consolidated Condensed Financial Statements
January 31, 2019
(Unaudited)

The Company's "interests" in EAM, the investment adviser to and the sole member of the distributor of the Value Line Funds, consist of a "non-voting revenues interest" and a "non-voting profits interest" in EAM as defined in the EAM Trust Agreement. The non-voting revenues interest entitles the Company to receive a range of 41% to 55%, based on the amount of EAM's adjusted gross revenues, excluding EULAV Securities' distribution revenues ("Revenues Interest"). The non-voting profits interest entitles the Company to receive 50% of EAM's profits, subject to certain limited adjustments as defined in the EAM Trust Agreement ("Profits Interest"). The Revenues Interest and at least 90% of the Profits Interest are to be distributed each quarter to all interest holders of EAM, including Value Line. Subsequent to the Restructuring Date, the Company's Revenues Interest in EAM excludes participation in the service and distribution fees of EAM's subsidiary EULAV Securities. The Company reflects its non-voting revenues and non-voting profits interests in EAM as non-operating income under the equity method of accounting subsequent to the Restructuring Transaction. Although the Company does not have control over the operating and financial policies of EAM, pursuant to the EAM Trust Agreement, the Company has a contractual right to receive its share of EAM's revenues and profits.

Recent Accounting Pronouncements:

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ("ASU 2016-02"). The core principle of Topic 842 requires that a lessee should recognize the assets and liabilities on the balance sheet and disclose key information about leasing arrangements. The amendments in ASU 2016-2 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The guidance is required to be adopted at the earliest period presented using a modified retrospective approach. The adoption of ASU 2016-02 will not have a material impact on our consolidated condensed financial statements and related disclosures.

In August 2016, the FASB issued Accounting Standards Update No. 2016-15, Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force) ("ASU 2016-15"). The amendments in ASU 2016-15 address eight specific cash flow issues and apply to all entities that are required to present a statement of cash flows under ASC Topic 230, Statement of Cash Flows. The amendments in ASU 2016-15 are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company has adopted ASU 2016-15 in the first quarter of fiscal 2019. As a result, it has reclassified, within the Consolidated Condensed Statement of Cash Flows, $6.9 million and $6.7 million, for the nine months ended January 31, 2019 and January 31, 2018, respectively, of EAM non-voting revenues interest and profits interest, from operating activities to investing activities.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. In addition, ASU No. 2014-09 requires disclosures of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU No. 2014-09 supersedes most existing U.S. GAAP revenue recognition principles, and it permits the use of either the retrospective or cumulative effect transition method. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual periods. The Company has adopted ASU No. 2014-09 in the first quarter of fiscal 2019, which does not have a material impact on the Company's consolidated condensed financial statements and related disclosures.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)". This ASU requires that the reconciliation of the beginning-of-period and end-of-period amounts shown in the statement of cash flows include cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. ASU No. 2016-18 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual periods. The Company has adopted ASU No. 2016-18 in the first quarter of fiscal 2019, which does not have a material impact on the Company's consolidated condensed financial statements and related disclosures.

On June 21, 2018, the United States Supreme Court reversed the 1992 ruling in *Quill*, which protected firms mailing items by common carrier into a state where it had no physical presence from having to collect sales tax in such state. The Company is complying with pertinent state laws and is continuing to evaluate the impact of the 2018 ruling (South Dakota vs. Wayfair) on its operations.

Valuation of Securities:

The Company's securities classified as cash equivalents and available-for-sale consist of shares of money market funds that invest primarily in short-term U.S. Government securities and investments in equities including ETFs and are valued in accordance with the requirements of the Fair Value Measurements Topic of the FASB's ASC 820. The securities classified as available-for-sale reflected in the Consolidated Condensed Balance Sheets are valued at market and unrealized gains and losses, net of applicable taxes, are reported as a separate component of shareholders' equity. Realized gains and losses on sales of the securities classified as available-for-sale are recorded in earnings as of the trade date and are determined on the identified cost method.

The Company classifies its securities available-for-sale as current assets to properly reflect its liquidity and to recognize the fact that it has liquid assets available-for-sale should the need arise.

Market valuations of securities listed on a securities exchange and ETF shares are based on the closing sales prices on the last business day of each month. The market value of the Company's fixed maturity U.S. Government debt securities is determined utilizing publicly quoted market prices. Cash equivalents consist of investments in money market funds that invest primarily in U.S. Government securities valued in accordance with rule 2a-7 under the 1940 Act.

Value Line, Inc.
Notes to Consolidated Condensed Financial Statements
January 31, 2019
(Unaudited)

The Fair Value Measurements Topic of FASB's ASC defines fair value as the price that the Company would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market for the investment. The Fair Value Measurements Topic established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the information that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs are classified as observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below.
Level 1 – quoted prices in active markets for identical investments
Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

The following summarizes the levels of fair value measurements of the Company's investments:

	As of January 31, 2019			
($ in thousands)	Level 1	Level 2	Level 3	Total
Cash equivalents	$3,304	$ -	$ -	$3,304
Securities available-for-sale	19,269	-	-	19,269
	$22,573	$ -	$ -	$22,573

	As of April 30, 2018			
($ in thousands)	Level 1	Level 2	Level 3	Total
Cash equivalents	$4,982	$ -	$ -	$4,982
Securities available-for-sale	17,844	-	-	17,844
	$22,826	$ -	$ -	$22,826

The Company had no other financial instruments such as futures, forwards and swap contracts. For the periods ended January 31, 2019 and April 30, 2018, there were no Level 2 nor Level 3 investments. The Company does not have any liabilities that are subject to fair value measurement.

Advertising expenses:

The Company expenses advertising costs as incurred.

Income Taxes:

The Company computes its income tax provision in accordance with the Income Tax Topic of the FASB's ASC. Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been reflected in the Consolidated Financial Statements. Deferred tax liabilities and assets are determined based on the differences between the book values and the tax bases of particular assets and liabilities, using tax rates currently in effect for the years in which the differences are expected to reverse. The Company adopted the provisions of ASU 2015-17, Income taxes (Topic 740) during the first quarter of fiscal 2018 and continues to classify all deferred taxes as long-term liabilities on the Consolidated Condensed Balance Sheets.
The Income Tax Topic of the FASB's ASC establishes for all entities, a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction), and requires certain expanded tax disclosures. As of January 31, 2019, management has reviewed the tax positions for the years still subject to tax audit under the statute of limitations, evaluated the implications, and determined that there is no material impact to the Company's financial statements.

Earnings per share:

Earnings per share are based on the weighted average number of shares of common stock and common stock equivalents outstanding during each period. Any shares that are reacquired during the period are weighted for the portion of the period that they are outstanding. The Company does not have any potentially dilutive common shares from outstanding stock options, warrants, restricted stock, or restricted stock units.

Cash and Cash Equivalents:

For purposes of the Consolidated Condensed Statements of Cash Flows, the Company considers all cash held at banks and short term liquid investments with an original maturity of less than three months to be cash and cash equivalents. As of January 31, 2019 and April 30, 2018, cash equivalents included $3,304,000 and $4,982,000, respectively, for amounts invested in money market mutual funds that invest in short term U.S. government securities.

Value Line, Inc.
Notes to Consolidated Condensed Financial Statements
January 31, 2019
(Unaudited)

Note 2 - Investments:

Securities Available-for-Sale:

Investments held by the Company and its subsidiaries are classified as securities available-for-sale in accordance with FASB's ASC 320, Investments - Debt and Equity Securities. All of the Company's securities classified as available-for-sale were readily marketable or had a maturity of twelve months or less and are classified as current assets on the Consolidated Condensed Balance Sheets.

Equity Securities:

Equity securities classified as available-for-sale on the Consolidated Condensed Balance Sheets, consist of ETFs held for dividend yield that attempt to replicate the performance of certain equity indexes and ETFs that hold preferred shares primarily of financial institutions.

As of January 31, 2019 and April 30, 2018, the aggregate cost of the equity securities classified as available-for-sale, which consist of investments in the SPDR Series Trust S&P Dividend ETF (SDY), First Trust Value Line Dividend Index ETF (FVD), INVESCO Financial Preferred ETF (PGF), Select Utilities Select Sector SPDR ETF (XLU), First Trust Value Line 100 ETF (FVL) and Proshares Trust S&P 500 Dividend Aristocrats ETF (NOBL) was $8,385,000, and the fair value was $9,783,000 and $9,379,000, respectively.

There were no sales or proceeds from sales of equity securities during the nine months ended January 31, 2019. Proceeds from equity securities classified as available-for-sale were $152,000 during the nine months ended January 31, 2018. The increase in gross unrealized gains on equity securities classified as available-for-sale of $404,000, net of deferred taxes of $85,000 was included in Shareholders' Equity on the Consolidated Condensed Balance Sheet at January 31, 2019. The increase in gross unrealized gains on equity securities classified as available-for-sale of $829,000, net of deferred taxes of $73,000 was included in Shareholders' Equity at January 31, 2018.

The changes in the value of equity securities investments are recorded in Other Comprehensive Income in the Consolidated Condensed Financial Statements. Realized gains and losses are recorded as of the trade date in the Consolidated Condensed Statements of Income when securities are sold, mature or are redeemed. As of January 31, 2019 and April 30, 2018, accumulated other comprehensive income included unrealized gains of $1,398,000 and $994,000, net of deferred taxes of $294,000 and $209,000, respectively.

The carrying value and fair value of securities available-for-sale at January 31, 2019 were as follows:

($ in thousands)	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
ETFs - equities	$8,385	$ 1,399	$ (1)	$9,783

The carrying value and fair value of securities available-for-sale at April 30, 2018 were as follows:

($ in thousands)	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
ETFs - equities	$8,385	$ 994	$ -	$9,379

Government Debt Securities (Fixed Income Securities):

Fixed income securities consist of certificates of deposits and securities issued by federal, state, and local governments within the United States. The aggregate cost and fair value at January 31, 2019 of fixed income securities classified as available-for-sale were as follows:

($ in thousands)	Amortized Historical Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Maturity				
Due within 1 year	$ 6,205	$ 30	$ (1)	$6,234
Due 1 year through 5 years	3,250	3	(1)	3,252
Total investment in government debt securities	$ 9,455	$ 33	$ (2)	$9,486

The aggregate cost and fair value at April 30, 2018 of fixed income securities classified as available-for-sale were as follows:

($ in thousands)	Amortized Historical Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Maturity				
Due within 1 year	$ 7,868	$ 10	$ (12)	$7,866
Due 1 year through 5 years	600	-	(1)	599
Total investment in government debt securities	$ 8,468	$ 10	$ (13)	$8,465

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Proceeds from maturities and sales of government debt securities classified as available-for-sale during the nine months ended January 31, 2019 and January 31, 2018, were $4,638,000 and $1,634,000, respectively. The increase in gross unrealized gains of $34,000 on fixed income securities classified as available-for-sale net of deferred income tax of $7,000, was included in Shareholders' Equity on the Consolidated Condensed Balance Sheet as of January 31, 2019. The increase in gross unrealized losses of $2,000 on fixed income securities classified as available-for-sale net of deferred income tax of $240, was included in Shareholders' Equity at January 31, 2018. As of January 31, 2019 accumulated other comprehensive income included unrealized gains of $31,000, net of deferred tax of $7,000. As of April 30, 2018, accumulated other comprehensive income included unrealized losses of $3,000, net of deferred tax benefits of $600.

The average yield on the Government debt securities classified as available-for-sale at January 31, 2019 and April 30, 2018 was 2.28% and 1.24%, respectively.

Income from Securities Transactions:

Income from securities transactions was comprised of the following:

	Three Months Ended January 31,		Nine Months Ended January 31,	
($ in thousands)	2019	2018	2019	2018
Dividend income	$71	$66	$200	$170
Interest income	55	25	139	75
Capital gain distributions	-	152	-	152
Other	14	15	38	48
Total income from securities transactions, net	$140	$258	$377	$445

Investment in Unconsolidated Entities:
Equity Method Investment:

As of January 31, 2019 and April 30, 2018, the Company's investment in EAM Trust on the Consolidated Condensed Balance Sheets was $58,358,000 and $58,233,000, respectively.

The value of VLI’s investment in EAM at January 31, 2019 and April 30, 2018 reflects the fair value of contributed capital of $55,805,000 at inception which included $5,820,000 of cash and liquid securities in excess of working capital requirements contributed to EAM’s capital account by VLI, plus VLI's share of non-voting revenues and non-voting profits from EAM less distributions, made quarterly to VLI by EAM, during the period subsequent to its initial investment through the dates of the Consolidated Condensed Balance Sheets.

It is anticipated that EAM will have sufficient liquidity and earn enough profit to conduct its current and future operations so the management of EAM will not need additional funding.

The Company monitors its Investment in EAM Trust for impairment to determine whether an event or change in circumstances has occurred that may have a significant adverse effect on the fair value of the investment. Impairment indicators of an impairment could include, but are not limited to the following: (a) a significant deterioration in the earnings performance, asset quality, or business prospects of the investee, (b) a significant adverse change in the regulatory, economic, or technological environment of the investee, (c) a significant adverse change in the general market condition of the industry in which the investee operates, or (d) factors that raise significant concerns about the investee’s ability to continue as a going concern such as negative cash flows, working capital deficiencies, or noncompliance with statutory capital and regulatory requirements. EAM did not record any impairment losses for its assets during the fiscal years 2019 or 2018.

The components of EAM’s investment management operations, provided to the Company by EAM, were as follows:

	Three Months Ended January 31,		Nine Months Ended January 31,	
($ in thousands) (unaudited)	2019	2018	2019	2018
Investment management fees earned from the Value Line Funds, net of fee waivers	$3,987	$4,070	$12,277	$12,096
12b-1 fees and other fees, net of fee waivers	$1,625	$1,676	$5,056	$4,844
Other income	$109	$52	$153	$156
Investment management fee waivers	$108	$131	$329	$392
12b-1 fee waivers	$149	$169	$483	$583
Value Line’s non-voting revenues interest	$1,997	$2,057	$6,060	$6,074
EAM's net income (1)	$426	$454	$1,610	$1,166

(1) Represents EAM's net income, after giving effect to Value Line’s non-voting revenues interest, but before distributions to voting profits interest holders and to the Company in respect of its 50% non-voting profits interest.

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($ in thousands)	January 31, 2019	April 30, 2018
	(unaudited)	
EAM's total assets	$ 60,359	$ 60,203
EAM's total liabilities (1)	(3,304)	(3,128)
EAM's total equity	$ 57,055	$ 57,075

(1) At January 31, 2019 and April 30, 2018, EAM's total liabilities included a payable to VLI for its accrued non-voting revenues interest and non-voting profits interest of $2,188,000 and $2,113,000, respectively.

Note 3 - Variable Interest Entity

The Company retained a non-voting revenues interest and a 50% non-voting profits interest in EAM, which was formed, as a result of the Restructuring Transaction on December 23, 2010, to carry on the asset management and mutual fund distribution businesses formerly conducted by the Company. EAM is considered to be a VIE. The Company makes its determination for consolidation of EAM as a VIE based on a qualitative assessment of the purpose and design of EAM, the terms and characteristics of the variable interests in EAM, and the risks EAM is designed to originate and pass through to holders of variable interests. Other than EAM, the Company does not have an interest in any other VIEs.

The Company has determined that it does not have a controlling financial interest in EAM because it does not have the power to direct the activities of EAM that most significantly impact its economic performance. Value Line does not hold any voting stock of EAM and it does not have any involvement in the day-to-day activities or operations of EAM. Although the EAM Trust Agreement provides Value Line with certain consent rights and contains certain restrictive covenants related to the activities of EAM, these are considered to be protective rights and therefore Value Line does not maintain control over EAM.

In addition, although EAM is expected to be profitable, there is a risk that it could operate at a loss. While all of the profit interest shareholders in EAM are subject to variability based on EAM's operations risk, Value Line's non-voting revenues interest in EAM is a preferred interest in the revenues of EAM, rather than a profits interest in EAM, and Value Line accordingly believes it is subject to proportionately less risk than other holders of the profits interests.

The Company has not provided any explicit or implicit financial or other support to EAM other than what was contractually agreed to in the EAM Trust Agreement. Value Line has no obligation to fund EAM in the future and, as a result, has no exposure to loss beyond its initial investment and any undistributed revenues and profits interests retained in EAM. The following table presents the total assets of EAM, the maximum exposure to loss due to involvement with EAM, as well as the value of the assets and liabilities the Company has recorded on its Consolidated Condensed Balance Sheets for its interest in EAM.

($ in thousands)	VIE Assets	Value Line Investment in EAM Trust (1)	Liabilities	Maximum Exposure to Loss
As of January 31, 2019 (unaudited)	$60,359	$58,358	$ -	$ 58,358
As of April 30, 2018	$60,203	$58,233	$ -	$ 58,233

(1) Reported within Long-Term Assets on the Consolidated Condensed Balance Sheets.

Note 4 - Supplementary Cash Flows Information:

Reconciliation of Cash, Cash Equivalents, and Restricted Cash:
The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Consolidated Condensed Statement of Cash Flows that sum to the total of the same such amounts shown in the Consolidated Condensed Statement of Cash Flows.

	Nine Months Ended January 31,	
($ in thousands)	2019	2018
Cash and cash equivalents	$4,364	$4,218
Restricted cash	469	469
Total cash, cash equivalents, and restricted cash shown in the Consolidated Condensed Statement of Cash Flows	$4,833	$4,687

Income Tax Payments:
The Company made income tax payments as follows:

	Nine Months Ended January 31,	
($ in thousands)	2019	2018
State and local income tax payments	$230	$232
Federal income tax payments to the Parent	$2,050	$3,450

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Note 5 - Employees' Profit Sharing and Savings Plan:

Substantially all employees of the Company and its subsidiaries are members of the Value Line, Inc. Profit Sharing and Savings Plan (the "Plan"). In general, this is a qualified, contributory plan which provides for a discretionary annual Company contribution which is determined by a formula based on the salaries of eligible employees and the amount of consolidated net operating income as defined in the Plan. For the nine months ended January 31, 2019 and January 31, 2018, the estimated profit sharing plan contributions, which are included as expenses in salaries and employee benefits in the Consolidated Condensed Statements of Income, were $398,000 and $345,000, respectively.

Note 6 - Comprehensive Income:

The FASB's ASC Comprehensive Income topic requires the reporting of comprehensive income in addition to net income from operations. Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that otherwise would not be recognized in the calculation of net income.

As of January 31, 2019 and January 31, 2018, the Company held equity securities consisting primarily of ETFs with high relative dividend yields that are classified as securities available-for-sale on the Consolidated Condensed Balance Sheets. The change in valuation of these securities, net of deferred income taxes, has been recorded in accumulated other comprehensive income in the Company's Consolidated Condensed Balance Sheets.

The components of comprehensive income included in the Consolidated Condensed Statements of Income and Changes in Shareholders' Equity for the nine months ended January 31, 2019 are as follows:

($ in thousands)	Amount Before Tax	Tax Expense	Amount Net of Tax
Change in unrealized gains on securities	$ 438	$ (93)	$ 345
	$ 438	$ (93)	$ 345

The components of comprehensive income included in the Consolidated Condensed Statements of Income and Changes in Shareholders' Equity for the nine months ended January 31, 2018 are as follows:

($ in thousands)	Amount Before Tax	Tax Expense	Amount Net of Tax
Change in unrealized gains on securities	$ 978	$ (105)	$ 873
Less: Gains realized in net income	$ (152)	$ 32	$ (120)
	$ 826	$ (73)	$ 753

Note 7 - Related Party Transactions:

Investment Management (overview):

The Company has substantial non-voting revenues and non-voting profits interests in EAM, the asset manager to the Value Line Mutual Funds. Accordingly, the Company no longer reports this operation as a separate business segment, although it still maintains a significant interest in the cash flows generated by this business and will receive non-voting revenues and non-voting profits interests, as discussed below.

Total assets in the Value Line Funds managed and/or distributed by EAM at January 31, 2019, were $2.68 billion, 2.5% above total assets of $2.61 billion in the Value Line Funds managed and/or distributed by EAM at January 31, 2018.

The Company’s non-voting revenues and non-voting profits interests in EAM entitle it to receive quarterly distributions in a range of 41% to 55% of EAM’s revenues (excluding distribution revenues) from EAM’s mutual fund and separate account business and 50% of the residual profits of EAM (subject to temporary increase in certain limited circumstances). The Voting Profits Interest Holders will receive the other 50% of residual profits of EAM. Distribution is not less than 90% of EAM’s profits payable each fiscal quarter under the provisions of the EAM Trust Agreement. Value Line’s percent share of EAM’s revenues is calculated each fiscal quarter. The applicable recent non-voting revenues interest percentage for the third quarter of fiscal 2019 was 50.33%.

EAM Trust - VLI's non-voting revenues and non-voting profits interests:

The Company holds non-voting revenues and non-voting profits interests in EAM which entitle the Company to receive from EAM an amount ranging from 41% to 55% of EAM's investment management fee revenues from its mutual fund and separate accounts business. EAM currently has no separately managed account fees. The Company recorded income from its non-voting revenues interest and its non-voting profits interests in EAM as follows:

	Three Months Ended January 31,		Nine Months Ended January 31,	
($ in thousands)	2019	2018	2019	2018
Non-voting revenues interest in EAM	$1,997	$2,057	$6,060	$6,074
Non-voting profits interest in EAM	213	227	805	583
	$2,210	$2,284	$6,865	$6,657

At January 31, 2019, the Company's investment in EAM includes a receivable of $2,188,000 representing the quarterly distribution of the non-voting revenues share and non-voting profits share. That sum was subsequently paid.

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Transactions with Parent:

During the nine months ended January 31, 2019 and January 31, 2018, the Company was reimbursed $256,000 and $242,000, respectively, for payments it made on behalf of and for services the Company provided to the Parent Company, Arnold Bernhard and Co., Inc. ("Parent"). There were no receivables from the Parent on the Consolidated Condensed Balance Sheets at January 31, 2019 and April 30, 2018.

The Company is a party to a tax-sharing arrangement with the Parent which allocates the tax liabilities of the two Companies between them. The Company made federal tax payments of $2,050,000 and $3,450,000 to the Parent during the nine months ended January 31, 2019 and January 31, 2018, respectively.

As of January 31, 2019, the Parent owned 89.23% of the outstanding shares of common stock of the Company.

Note 8 - Federal, State and Local Income Taxes:

In accordance with the requirements of the Income Tax Topic of the FASB's ASC, the Company's provision for income taxes includes the following:

	Three Months Ended January 31,		Nine Months Ended January 31,	
($ in thousands)	2019	2018	2019	2018
Current tax expense:				
Federal	$513	$222	$2,118	$2,681
State and local	173	55	333	303
Current tax expense	686	277	2,451	2,984
Deferred tax expense (benefit):				
Federal	429	(6,014)	434	(6,326)
State and local	197	70	(57)	(79)
Deferred tax expense (benefit):	626	(5,944)	377	(6,405)
Income tax provision	$1,312	$(5,667)	$2,828	$(3,421)

On December 22, 2017 H.R. 1, originally known as the Tax Cuts and Jobs Act, (the "Tax Act") was enacted. The Tax Act lowered the U.S. federal income tax rate ("Federal Tax Rate") from 35% to 21% effective January 1, 2018. Accordingly, the Company computes Federal income tax expense for the nine months ended January 31, 2019 using the Federal Tax Rate of 21%, and computed its income tax expense for the nine months ended January 31, 2018 using a blended Federal Income tax rate of 30.33%. The 21% Federal Tax Rate applies to the full fiscal year ending April 30, 2019 and each year thereafter.

The overall effective income tax rates, as a percentage of pre-tax ordinary income for the nine months ended January 31, 2019 and January 31, 2018 were 24.20% and (34.69%), respectively. The overall effective tax rate during the nine months ended January 31, 2019 is primarily a result of the reduced Federal Tax Rate and a decrease in the state and local allocation factors on the deferred tax related to the unrealized gain from the deconsolidation of EAM. As mentioned above, in fiscal 2018 the U.S. statutory federal corporate income tax rate was reduced from 35% to 21%, which resulted in a tax benefit of 65.87% of pre-tax income for the nine months ended January 31, 2018, primarily attributable to the effect on the long-term deferred tax liability. The

Company re-calculates its net deferred tax assets and liabilities using the Federal Tax Rate under the Tax Act and allocates it directly to both current and deferred income tax expenses from continuing operations. In addition, due to evolving state tax legislation, the Company's state and local effective income tax rate, net of Federal income tax benefit, increased from 1.27% of pretax income for the nine months ended January 31, 2018, to 3.45% of pretax income for the nine months ended January 31, 2019.

Deferred income taxes, a liability, are provided for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The tax effect of temporary differences giving rise to the Company's long-term deferred tax liability are as follows:

($ in thousands)	January 31, 2019	April 30, 2018
Federal tax liability (benefit):		
Deferred gain on deconsolidation of EAM		