Annual Report

Riley Stoker Corporation

December 31, 1941

Officers

FRED H. DANIELS	*President*
LOUIS E. GRIFFITH	*Vice-president and General Manager*
DAVID K. BEACH	*Vice-president and Treasurer*
ALDUS C. HIGGINS	*Vice-president*
JAMES W. ARMOUR	*Vice-president*
ROBERT T. RILEY	*Vice-president*
CHAPIN RILEY	*Secretary*

Directors

ALDUS C. HIGGINS, *Chairman*
FRED H. DANIELS
DAVID K. BEACH
LOUIS E. GRIFFITH
CHAPIN RILEY
FRANK C. SMITH, JR.
GEORGE N. JEPPSON
PHILIP R. MATHER

TO THE STOCKHOLDERS
OF RILEY STOKER CORPORATION:

There is submitted, herewith, for your consideration the Audited Consolidated Financial Statement of your Company for the year 1941 including the Consolidated Balance Sheet as of the end of the year. The net profit of $709,985.10 after provision for Federal taxes of $1,074,013.48 is the largest in the history of the Company, equivalent to $2.00 per share on the Common Stock after deduction of the dividend of $6.00 per share on the Preferred Stock.

During the year dividends of $6.00 per share, amounting to $21,600.00, were paid on the Preferred Stock and 10 cents per share, $34,389.10, on the Common Stock.

In December 1941 the Badenhausen Corporation acquired twenty-nine acres of land at Cornwells Heights adjacent to its property there to provide for future expansion.

Additions and replacements of buildings and equipment during the year increased the net investments in these assets after deduction of adequate reserves for depreciation by about $214,000.00. Appraisals completed since the end of the year 1941 at the Detroit and Cornwells Heights plants indicate that the book values of those properties are conservative.

The large volume of business transacted has made it necessary to borrow during the year additional working capital amounting to $1,000,000.00, in spite of an improvement of over $500,000.00 in the net current position during the year.

Your Company has entered the year 1942 with the largest volume of unfilled orders in its history, most of which carry high priority ratings.

Yours very truly,

F. H. DANIELS,
President

May 6, 1942

To The Board of Directors
Riley Stoker Corporation
Worcester, Massachusetts

We have examined the Consolidated Balance Sheet of the Riley Stoker Corporation and its Subsidiary Companies as at December 31, 1941 and the statements of Income and Surplus for the year ended on that date; have reviewed the system of internal control and accounting procedures of the Riley Stoker Corporation and the Badenhausen Corporation; and, without making a detailed audit of the transactions, have examined or tested accounting records of both companies and other supporting evidence, by methods and to the extent we deemed appropriate.

With respect to the A. W. Cash Company of Decatur, Illinois, whose accounts were not audited by us, we were furnished with a report on that company prepared by independent Certified Public Accountants. Their report contained a comment on the inventory of that company to the effect that due to the high peak of unfilled orders at December 31, 1941, as a result of the Defense program, no physical inventory was taken and the inventory of that company in the amount of $279,662.15 represents book values. A representative number of items in process and in stock room checked by them to book records showed no exceptions of any consequence.

In our opinion, subject to the remarks in the foregoing paragraph regarding the inventory of the A. W. Cash Company, the accompanying Consolidated Balance Sheet and related statements of Surplus and Income fairly present the consolidated position of the Riley Stoker Corporation and Subsidiary Companies as at December 31, 1941 and the consolidated results of operations of these companies for the year 1941, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

George A. Smith and Company,
Certified Public Accountants

Worcester, Massachusetts
April 22, 1942

RILEY STOKER CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

December 31, 1941

ASSETS

Current Assets		
Cash		$ 127,230.06
Receivables		
Customers' Notes	$ 58,618.39	
Customers' Accounts	3,234,125.42	
Others	3,792.00	
	$3,296,535.81	
Less: Reserve for Doubtful Accounts	72,336.70	3,224,199.11
Inventories (Quantities and Condition determined by Company; Priced at Cost or Lower)		1,283,910.67
Advances to Salesmen and Erectors		56,009.32
Total Current Assets		$4,691,349.16
Fixed Assets		
Land	$ 206,726.86	
Buildings	969,448.21	
Machinery and Equipment	1,291,989.89	
Equipment under Construction	12,699.84	
	$2,480,864.80	
Less: Reserve for Depreciation	1,004,751.19	1,476,113.61
Patents—Depreciated Value		31,035.33
Other Assets		
Securities Acquired—Cost	$ 5,582.86	
Employees' Stock Purchase Notes	16,846.79	22,429.65
Deferred Charges		
Prepaid Insurance, Interest, and Taxes	$ 34,517.06	
Supplies, Repairs, and Maintenance Parts	3,999.30	38,516.36
		$6,259,444.11

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LIABILITIES

Current Liabilities		
Notes Payable to Banks		$1,520,000.00
Accounts Payable—Trade		399,125.19
Advance Billing on Contracts		358,562.53
Provision for Federal Income and Excess Profits Taxes	$1,074,013.48	
Less: U.S. Treasury Tax Notes to be Applied in Payment thereof	423,087.36	650,926.12
Provision for Other Federal and State Taxes		93,974.83
Accrued Liabilities		
Wages		40,971.24
Commissions		81,005.40
Insurance		21,229.60
Other		5,904.85
Total Current Liabilities		$3,171,699.76
Accounts Payable—Trade—Deferred		3,433.44
Total Liabilities		$3,175,133.20

CAPITAL STOCK AND SURPLUS

Capital Stock		
Preferred, 6% Cumulative, Par Value $100.00 per share Redemption Value, $156.00 per share Authorized and Issued, 3,600 shares		360,000 00
Common, Par Value $3.00 per share Authorized, 350,000 shares		
Issued . . . 349,954 shares	$1,049,862.00	
Less: In Treasury . 6,063 shares	18,189.00	
Outstanding . . . 343,891 shares		1,031,673.00
Surplus		
Capital Surplus (no change during year)	$ 103,152.89	
Earned Surplus (see statement attached)	1,589,485.02	1,692,637.91
		$6,259,444.11

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Consolidated Statement of Earned Surplus

For the Year Ended December 31, 1941

Balance, December 31, 1940		$ 906,218.67
ADDITIONS		
Consolidated Net Income for Year after Taxes	$709,985.10	
Cancellation of Preferred Stock Sinking Fund Requirement for 1941	48,299.10	758,284.20
		$1,664,502.87
DEDUCTIONS		
Dividends Paid on Preferred Stock	$ 21,600.00	
Dividends Paid on Common Stock	34,389.10	
Net of Sundry Adjustments pertaining to Federal and State Taxes of Prior Years	17,167.88	
Net of Sundry Other Adjustments pertaining to Prior Years	1,860.87	75,017.85
Balance, December 31, 1941		$1,589,485.02

Consolidated Statement of Profit and Loss

For the Year Ended December 31, 1941

Profit on Operations after Selling and Administrative Expenses, and Provision for Doubtful Accounts, but before Depreciation and Amortization	$1,888,573.82
Depreciation and Amortization	109,820.86
Operating Profit	$1,778,752.96
Other Income	30,032.36
Gross Income	$1,808,785.32
Other Deductions	24,786.74
Net Income before Federal Income Taxes	$1,783,998.58
Provision for Federal Income Taxes	1,074,013.48
Balance to Surplus	$ 709,985.10