Annual Report

1937

THE SHERWIN-WILLIAMS CO.

The Sherwin-Williams Co.

GEORGE A. MARTIN

PRESIDENT

To the Stockholders:

I present herewith the Annual Report of The Sherwin-Williams Company for the fiscal year ended August 31, 1937. The Consolidated Balance Sheet and related Consolidated Income and Surplus Statements have been audited by Ernst & Ernst, Certified Public Accountants, as set forth in their certificate.

The earnings for the year, before federal income and undistributed profits taxes, are $7,385,095.42. After providing $1,350,140.00 for these taxes, there remains a final net profit of $6,034,955.42. After deducting preferred dividends paid during the year, the amount earned on the common stock is equivalent to $8.41 per share.

The volume of sales in dollars was approximately 19% in excess of last year.

Federal Taxes, consisting of income, capital stock, undistributed profits, and social security taxes, aggregated $1,823,344.00, which is $642,874.00 more than the previous year. It is interesting to make comparison with the year 1929 when the net earnings of the Company were $6,019,475.00 but federal taxes amounted to only $721,786.00 or $1,101,558.00 less than the year just ended.

I am especially pleased to report that the Organization has been most loyal throughout the year, and I wish to thank everyone for the faithful and wholehearted service given during the past fiscal year.

Geo. A. Martin

President

CONSOLIDATED INCOME AND SURPLUS

THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES

For the year ended August 31, 1937

SUMMARY OF INCOME

Profit from operations for the year ended August 31, 1937, before other income, depreciation, other deductions and federal income and excess profits taxes			$ 8,722,305.84
Other income - - - - - - - - -			130,585.70
			$ 8,852,891.54
Deductions:			
Provision for depreciation - - -		$ 927,861.44	
Loss on fixed assets sold or scrapped, provision for doubtful accounts, etc. - - - - - -		593,657.14	
Provision for estimated federal income and excess profits taxes:			
Normal income and excess profits taxes - - - - - -	$1,145,240.00		
Surtax on undistributed profits - - - - - - - -	204,900.00		
	$1,350,140.00		
Less adjustment of federal income tax provisions for prior years - - - - - - - -	53,722.46	1,296,417.54	2,817,936.12
NET INCOME FOR YEAR			$ 6,034,955.42
Earned surplus September 1, 1936			18,692,262.13
			$24,727,217.55

DEDUCTIONS

Dividends paid and provided for:		
Preferred - - - - - - - - - -	$ 704,257.50	
Common ($6.00 per share) - -	3,803,562.00	
	$4,507,819.50	
Premium on preferred stock called for redemption - - - - - - -	24,750.00	4,532,569.50
EARNED SURPLUS AUGUST 31, 1937		$20,194,648.05

(Note A) Proportionate share of the operating results of unconsolidated Canadian subsidiary has not been reflected in the foregoing statement; final statement as to such operating results for the year ended August 31, 1937 was not available at date of issuance of this report. Proportionate share (not significant) of net loss of other unconsolidated subsidiary has been taken up.

CONSOLIDATED BALAN

THE SHERWIN-WILLIAMS COMPANY

As at the close of business Augus

Assets

CURRENT ASSETS		
Cash - - - - - - - - - - - - - - -	$ 4,030,216.27	
Notes and acceptances receivable -	227,241.39	
Accounts receivable, less reserves (includes accounts amounting to $1,333.54 due from unconsolidated subsidiaries) - - - - - - - - -	8,817,696.61	
Inventories—raw materials and supplies, in process and finished merchandise stated on basis of lower of cost or market (estimated inter-plant and inter-company profits have been eliminated) - - - - -	19,752,759.85	$32,827,914.12
OTHER ASSETS		
Notes receivable for properties sold during 1934—secured by mortgage	$ 118,409.82	
Miscellaneous notes and accounts receivable, claims, advances, etc., less reserves - - - - - - - - -	447,993.98	566,403.80
INVESTMENTS		
Securities of unconsolidated subsidiaries- - - - - - - - - - - - - -	$ 3,698,555.91	
Other securities—at or below cost	62,857.85	3,761,413.76
FIXED ASSETS		
Land, buildings, machinery and equipment at cost to consolidated companies, less reserves for depreciation - - - - - - - - - - -		18,253,460.70
PATENTS AND TRADE MARKS		
Nominal value - - - - - - - - -		1.00
DEFERRED		
Advertising stock, stationery, etc. -	$ 682,308.46	
Prepaid insurance, taxes, etc. - - -	233,656.94	915,965.40
		$ 56,325,158.78

(Note A) Investments in securities of unconsolidated subsidiaries include (1) investment of $3,695,825.00 in Canadian affiliate stated at cost which was less than the proportionate share of the book value (including intangibles) of the net assets of such affiliate as reported to the Company and (2) investment amounting to $2,730.91 which is stated at equity in net assets of such affiliate. Net decrease in equity in Canadian affiliate since date of acquisition of control, not taken up by parent Company, amounted to approximately $679,000.00 as of August 31, 1936 (final statement as to

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LIDATED BALANCE SHEET
ILLIAMS COMPANY AND SUBSIDIARIES
t the close of business August 31, 1937

Liabilities, Capital Stock and Surplus

	CURRENT LIABILITIES		
	Accounts payable, etc. (includes account amounting to $584.50 payable to unconsolidated subsidiary)	$ 2,911,694.20	
	Preferred dividend payable September 1, 1937 - - - - - - - - - -	171,423.75	
	Accrued federal, state and county taxes, etc. - - - - - - - - - - -	1,944,357.84	
	Deposits—officers and employees -	547,784.12	
,827,914.12	Mortgage payable (existing when subsidiary was fully acquired in 1934) - - - - - - - - - - - - -	140,000.00	$ 5,715,259.91
	RESERVES		
566,403.80	For contingencies, maintenance of plants and employers' liability insurance - - - - - - - - - -		853,175.82
	CAPITAL STOCK		
,761,413.76	Preferred — authorized 395,500 shares (par value $100.00 each): Outstanding — series "AAA" 5% cumulative preferred — 137,139 shares - - - - - -	$13,713,900.00	
,253,460.70	Common — authorized 800,000 shares (par value $25.00 each):		
1.00	Outstanding — 633,927 shares.	15,848,175.00	
	CONSOLIDATED EARNED SURPLUS		
915,965.40	Balance August 31, 1937 - - - - -	20,194,648.05	49,756,723.05
6,325,158.78			$56,325,158.78

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operating results for year ended August 31, 1937 was not available at date of issuance of this report). Proportionate share (not significant) of net losses of other unconsolidated subsidiary has been taken up.

(Note B) The Companies were reported contingently liable at August 31, 1937 in the amount of $33,149.17 as guarantors of a portion of certain notes discounted by dealers.