

Annual Report

Riley Stoker Corporation

December 31, 1942

Officers

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

Directors

ALDUS C. HIGGINS, <i>Chairman</i>	CHAPIN RILEY
FRED H. DANIELS	FRANK C. SMITH, JR.
DAVID K. BEACH	GEORGE N. JEPPSON
LOUIS E. GRIFFITH	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 1942 including the Consolidated Balance Sheet as of the end of the year. The net profit was \$544,756.78 after provision for Federal taxes of \$1,391,421.80 equivalent to \$1.52 per share on the Common Stock after deduction of the dividend of \$6.00 per share on the Preferred Stock. This compares with \$2.00 per share of Common Stock for 1941.

During the year dividends of \$6.00 per share amounting to \$21,600.00 were paid on the Preferred Stock and 30 cents per share \$103,167.30 on the Common Stock.

Additions and replacements of buildings and equipment during the year increased the net investments in these assets after deduction of \$162,386.11 for depreciation and amortization by \$111,572.72.

The large volume of business transacted has made it necessary to borrow during the year additional working capital amounting to \$450,000.00, in spite of an improvement of \$237,390.95 in the net current position during the year.

Your Company has entered the year 1943 with the largest volume of unfilled orders in its history, all of which carry high priority ratings.

Yours very truly,

F. H. DANIELS,
President

May 15, 1943

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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, 1942 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 Badenhause 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. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

With respect to the A. W. Cash Company, a subsidiary, of Decatur, Illinois, whose accounts were not audited by us, we were furnished a report on that company prepared by independent Certified Public Accountants. Their report contained the following comment regarding the inventory of that Company: "Due to urgent orders on hand, no physical inventory of merchandise was taken at December 31, 1942, and, therefore, the general ledger inventory accounts have been used for balance sheet purposes in the absence of such physical inventories." This inventory amounted to \$290,229.34. A representative number of items in process and in stock room checked by them to book records showed no exception of any consequence, according to their comments.

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 at December 31, 1942 and the consolidated results of operations of these companies for the year 1942, 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
May 19, 1943

RILEY STOKER CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1942

ASSETS		LIABILITIES	
CURRENT ASSETS		CURRENT LIABILITIES	
Cash	\$307,880.09	Notes Payable to Banks	\$1,970,000.00
Receivables		Accounts Payable—Trade	563,907.91
Customers	\$4,133,482.69	Advance Billing on Contracts	366,843.12
Others	10,675.88	Provision for Federal Income and Excess Profits Taxes	\$1,391,421.80
	<u>\$4,144,158.57</u>	Less: U.S. Treasury Tax Notes to be Applied in Payment thereof	265,196.32
Less: Reserve for Doubtful Accounts	98,713.79		1,126,225.48
Inventories (Quantities and Condition determined by Company; Priced at Cost or Lower)	1,647,276.99	Provision for Other Federal and State Taxes	122,945.06
Advances to Salesmen and Erectors	76,973.65	Customers' Advances and Credit Balances	46,816.37
Total Current Assets	<u>\$6,077,575.51</u>	Accrued Liabilities	
		Wages	11,790.06
		Commissions and Fees	95,503.29
		Insurance	13,986.69
		Other	2,517.18
		Total Current Liabilities	<u>\$4,320,535.16</u>
EMPLOYEES' CASH—WAR BOND ACCOUNT (CONTRA)	6,752.95		
		EMPLOYEES' WAR BOND COLLECTIONS (CONTRA)	6,752.95
FIXED ASSETS		CAPITAL STOCK AND SURPLUS	
Land	\$206,726.86	CAPITAL STOCK	
Buildings	1,124,175.70	Preferred, 6% Cumulative, Par Value \$100.00 per share	
Machinery and Equipment	1,378,813.15	Redemption Value, \$156.00 per share	
Machinery under Construction	10,069.07	Authorized and Issued, 3600 shares	360,000.00
	<u>\$2,719,784.78</u>	Common, Par Value \$3.00 per share	
Less: Reserve for Depreciation	1,132,098.45	Authorized, 350,000 shares	
		Issued	349,954 shares
		Less: In Treasury	6,063 shares
		Outstanding	343,891 shares
PATENTS—DEPRECIATED VALUE	27,694.48		1,031,673.00
		SURPLUS	
OTHER ASSETS		Capital Surplus (no change during year)	\$103,152.89
Securities Acquired—Cost	\$6,398.39	Earned Surplus (see statement attached)	2,020,580.37
Employees' Stock Purchase Notes	5,668.34		
Work in Process—Completion prevented by Government order	95,351.32		
	<u>\$33,104.80</u>		
DEFERRED CHARGES			
Prepaid Insurance, Interest, and Taxes	2,462.25		
Supplies and Miscellaneous			

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Consolidated Statement of Earned Surplus

For the Year Ended December 31, 1942

Balance, December 31, 1941		\$1,589,485.02
ADD		
Consolidated Net Income for Year after Federal Taxes	\$544,756.78	
Net of Sundry Adjustments pertaining to Federal Taxes of		
Prior Years	11,105.87	555,862.65
		<u>\$2,145,347.67</u>
DEDUCT		
Dividends Paid on Preferred Stock	\$21,600.00	
Dividends Paid on Common Stock	103,167.30	124,767.30
		<u>\$2,020,580.37</u>
Balance, December 31, 1942		

Consolidated Statement of Profit and Loss

For the Year Ended December 31, 1942

Profit on Operations after Selling and Administrative Expenses, and Provision for		
Doubtful Accounts, but before Depreciation and Amortization		\$2,099,911.14
Depreciation and Amortization		162,386.11
Operating Profit		<u>\$1,937,525.03</u>
Other Income		32,586.24
Gross Income		<u>\$1,970,111.27</u>
Other Deductions		33,932.69
Net Income before Federal Income and Excess Profits Taxes		<u>\$1,936,178.58</u>
Provision for Federal Income and Excess Profits Taxes		1,391,421.80
Balance to Surplus		<u><u>\$544,756.78</u></u>

Note: The above income may be subject to renegotiation.