Annual Report

1937

THE SHERWIN-WILLIAMS CO.

0007-SWP-034719

N21736

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 $7,386,096.42. After providing $1,350,140.00 for these taxes, there remains a final net profit of $6,034,966.42. 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.

G. A. Martin

President

0007-SWP-034720

AUDITORS' CERTIFICATE

The Sherwin-Williams Company,
Cleveland.

We have made an examination of the consolidated balance sheet of THE SHERWIN-WILLIAMS COMPANY and its consolidated subsidiaries as at August 31, 1937, and of the statement of consolidated income and surplus for the year ended at that date. In connection therewith we examined or tested accounting records of the Companies and other supporting evidence, and obtained information and explanations from officers and employees of the Companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon our examination, the accompanying balance sheet and related statement of income and surplus fairly present the consolidated position of the Company and its consolidated subsidiaries as at August 31, 1937, and the results of their operations for the year ended at that date. Further, it is our opinion that the statements have been prepared in accordance with accepted accounting principles and on a basis consistent with the preceding year.

ERNST & ERNST,
Certified Public Accountants.

October 22, 1937.

0007-SWP-034721

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,[illegible].84
Other income			139,[illegible].70
			$ 8,[illegible]
Deductions:			
Provision for depreciation . . .		$ 927,861.44	
Loss on fixed assets sold or scrapped, provision for doubtful accounts, etc.		393,027.14	
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	2,617,306.12
NET INCOME FOR YEAR			$ 6,0[illegible].42
Earned surplus September 1, 1936			18,[illegible].12
			$24,727,217.86

DEDUCTIONS

Dividends paid and provided for:		
Preferred	$ 704,257.50	
Common ($6.00 per share) . .	3,[illegible]	
	$4,[illegible]	
Premium on preferred stock called for redemption	24,750.00	4,[illegible]
EARNED SURPLUS AUGUST 31, 1937		$20,[illegible]

(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.

0007-SWP-034722

CONSOLIDATED BALANCE SHEET

THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES

As at the close of business August 31, 1937

Assets

CURRENT ASSETS		
Cash	$ 4,050,216.27	
Notes and acceptances receivable	227,241.39	
Accounts receivable, less reserves (includes accounts amounting to $1,333.64 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)	19,732,759.85	$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	$ 3,698,545.91	
Other securities—at or below cost	62,867.85	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
		$ 56,325,108.78

Liabilities, Capital Stock and Surplus

CURRENT LIABILITIES		
Accounts payable, etc. (includes account amounting to $594.80 payable to unconsolidated subsidiary)	$ 2,911,694.20	
Preferred dividend payable September 1, 1937	171,423.75	
Accrued federal, state and county taxes, etc.	1,944,387.84	
Deposits—officers and employees	647,704.12	
Mortgage payable (existing when subsidiary was fully acquired in 1934)	140,000.00	$ 5,715,209.91
RESERVES		
For contingencies, maintenance of plants and employees' liability insurance		853,175.82
CAPITAL STOCK		
Preferred—authorized 295,000 shares (par value $100.00 each): Outstanding—series "AAA" 5% cumulative preferred—137,139 shares	$13,713,900.00	
Common—authorized 800,000 shares (par value $25.00 each): Outstanding—633,927 shares	15,848,175.00	
CONSOLIDATED EARNED SURPLUS		
Balance August 31, 1937	20,194,648.05	49,756,723.05
		$56,325,108.78

(Note A) Investments in securities of unconsolidated subsidiaries include (1) investment of $3,695,[illegible] in Canadian affiliate stated at cost which was less than the proportionate share of the book value (excluding 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 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.

0007-SWP-034723

THE SHERWIN-WILLIAMS CO.

101 Prospect Ave., N. W. Founded 1866 Cleveland, Ohio

Manufacturers of

Paints, Varnishes, Colors, Stains, Enamels, Lacquers, Lead Products, Dyes, Chemicals, Lithopone, Litharge, Linseed Oil, Dry Colors, Insecticides, Coal Tar Products, Disinfectants, Cleansers, Polishes.

Main plants

Cleveland - Chicago - Dayton - Detroit - Newark - Brooklyn
Pittsburgh - Oakland, Cal. - Bound Brook, N. J. - Gibbsboro, N. J.
Lincoln - Dallas - Los Angeles - Coffeyville, Kan.

Directors

A. D. BALDWIN	E. J. HAIN	E. B. MARTIN
GEO. T. BISHOP	C. P. JARDEN	A. W. STEUDEL
HARRIS CREECH	[illegible]	H. D. WHITTLESEY
C. S. EATON	GEO. A. MARTIN	L. W. WOLCOTT

Officers

GEO. A. MARTIN, *President*
H. D. WHITTLESEY, *First Vice-President* — A. W. STEUDEL, *Vice-President*
E. J. HAIN, *Vice-President* — L. E. SCHROEDER, *Treasurer*
T. G. MURPHY, *Secretary*

Transfer Agents

CLEVELAND TRUST COMPANY, Cleveland, Ohio — BANKERS TRUST COMPANY, New York, N. Y.

Registrars

CENTRAL NATIONAL BANK, Cleveland, Ohio — GUARANTY TRUST COMPANY, New York, N. Y.

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0007-SWP-034725