

Annual Report

Riley Stoker Corporation

December 31, 1943

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 1943 including the Consolidated Balance Sheet as of the end of the year. The net profit was \$559,265.35 after provision for Federal taxes of \$1,511,200.00 equivalent to \$1.56 per share on the Common Stock after deduction of the dividend of \$6.00 per share on the Preferred Stock. This compares with \$1.52 per share of Common Stock for 1942. All of the above figures are before completion of renegotiation.

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.

Net additions and replacements to buildings and equipment for the year amounted to only \$26,224.80. After depreciation of \$213,673.47 the net investment in buildings and equipment decreased by \$143,545.53.

The volume of business transacted during the year was the largest in the history of your Company. Bank indebtedness was reduced by \$270,000.00 and the net current position improved by \$808,796.20.

Your Company has entered the year 1944 with a large volume of unfilled orders. The prospects for future business are very favorable.

Yours very truly,

F. H. DANIELS,
President

May 1, 1944

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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, 1943 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 other than work in process was taken as at December 31, 1943, and, therefore, the general ledger inventory accounts have been used for balance sheet purposes in the absence of such physical inventories."

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, 1943 and the results of operations of these companies for the year 1943, 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 1, 1944

RILEY STOKER CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1943

ASSETS

CURRENT ASSETS

Cash	\$1,100,933.59
Receivables	
Customers	\$2,983,412.21
Others	4,914.39
Less: Reserve for Doubtful Accounts	\$2,988,326.60
Inventories (Quantities and Condition determined by Company:	79,655.44
Priced at Cost or Lower)	1,402,945.11
Advances to Salesmen and Erectors	36,346.82
Total Current Assets	\$5,448,896.68

EMPLOYEES' CASH—WAR BOND ACCOUNT (CONTRA)

8,196.98

FIXED ASSETS

Land	\$207,763.00
Buildings	1,157,744.14
Machinery and Equipment	1,376,015.93
Machinery under Construction	4,486.51
Less: Reserve for Depreciation	\$2,746,009.58
	1,301,868.78

PATENTS—DEPRECIATED VALUE

24,417.28

OTHER ASSETS

Securities and Real Estate Acquired—Cost	8,221.39
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DEFERRED CHARGES

Prepaid Insurance, Interest, and Taxes	\$33,919.08
Supplies and Miscellaneous	2,332.99
	36,252.07
	\$6,970,125.20

LIABILITIES

CURRENT LIABILITIES

Notes Payable to Banks	\$1,700,000.00
Accounts Payable—Trade	472,117.00
Advance Billing on Contracts	302,579.70
Provision for Federal Income and Excess Profits Taxes	\$1,511,200.00
Less: U.S. Treasury Tax Notes to be applied in payment thereof	1,494,969.70
Provision for Other Federal and State Taxes	16,230.30
Customers' Advances and Credit Balances	56,287.50
Accrued Liabilities	144,880.60
Wages	\$16,384.21
Social Security and Withholding Taxes	78,391.77
Commissions and Fees	83,136.18
Insurance	10,650.63
Other	2,402.03
Total Current Liabilities	190,964.80

EMPLOYEES' WAR BOND COLLECTIONS (CONTRA)

\$2,883,060.10

PREFERRED STOCK OF SUBSIDIARY COMPANY

(Entirely Owned by Outside Stockholders)

8,196.98

CAPITAL STOCK AND SURPLUS

CAPITAL STOCK

Preferred, 6% Cumulative, Par Value \$100.00 per share	360,000.00
Redemption Value, \$156.00 per share	
Authorized and Issued, 3600 shares	
Common, Par Value, \$3.00 per share	
Authorized, 350,000 shares	
Issued	\$1,049,862.00
Less: In Treasury	18,189.00
Outstanding	1,031,673.00

SURPLUS

Capital Surplus (No Change During Year)	\$103,152.89
Earned Surplus (See Statement Attached)	2,459,042.20
	2,562,195.09
	\$6,970,125.20

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Consolidated Statement of Earned Surplus

For the Year Ended December 31, 1943

Balance, December 31, 1942		\$2,020,580.37
ADD		
Renegotiation of Sales of the Riley Stoker Corporation and Badenhausen Corporation for 1942, adjustments of Taxes and other transactions affecting prior years—net		3,963.78
Adjusted Balance, December 31, 1942		<u>\$2,024,544.15</u>
ADD		
Consolidated Net Income for the Year after Federal Taxes		559,265.35
		<u>\$2,583,809.50</u>
DEDUCT		
Dividends Paid on Preferred Stock	\$21,600.00	
Dividends Paid on Common Stock	103,167.30	124,767.30
Balance, December 31, 1943		<u><u>\$2,459,042.20</u></u>

Note: No provision has been made in the account for possible renegotiation of the A. W. Cash Company for 1942, nor of all the Companies consolidated herein for 1943.

Consolidated Statement of Profit and Loss

For the Year Ended December 31, 1943

Profit on Operations after Selling and Administrative Expenses and Provision for Doubtful Accounts, but before Depreciation and Amortization	\$2,302,629.83
Depreciation and Amortization	213,673.47
Operating Profit	<u>\$2,088,956.36</u>
Other Income	20,693.68
Gross Income	<u>\$2,109,650.04</u>
Other Deductions	39,184.69
Net Income before Federal Income and Excess Profits Taxes	<u>\$2,070,465.35</u>
Provision for Estimated Federal Income and Excess Profits Taxes	1,511,200.00
Balance to Surplus	<u><u>\$559,265.35</u></u>

Note: The above income may be subject to renegotiation.

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