Annual Report

1936

THE SHERWIN-WILLIAMS CO.

THE SHERWIN-WILLIAMS CO.

GEORGE A. MARTIN

PRESIDENT

To the Stockholders:

There is presented herewith the Annual Report of the Company for the fiscal year ended August 31, 1936. The Consolidated Balance Sheet of The Sherwin-Williams Company and Subsidiaries as at August 31, 1936 and related Consolidated Income and Surplus Statements have been prepared by Ernst & Ernst, Certified Public Accountants, whose certificate is included in this report.

The net profit, before providing for federal income tax, is $6,881,640.82. The amount set up as a reserve for federal income tax is $994,011.74, which leaves $5,887,629.08 as the final net earnings for the year.

After deducting $790,744.50 for the Preferred Dividends paid during the fiscal year, the balance of $5,096,884.58 earned on the Common Stock is equivalent to $8.04 per share.

The volume of sales in dollars was 23.6% greater than the previous year.

The Balance Sheet shows current assets of $31,761,998.61 and total assets of $54,214,873.42 against a total indebtedness of $4,664,157.26.

During the year, the Company made an offer of exchange to its Preferred Stockholders according to which every holder of the Company's 6% "AA" Preferred Stock was given the opportunity to exchange a share of the 6% "AA" Preferred Stock for a share of new 5% Preferred Stock, Series "AAA". The holders of about 98% of the 6% "AA" Preferred Stock accepted this offer and the remaining shares not turned in for exchange were called at the redemption price of $105.00 per share. Accordingly, the balance sheet shows $14,208,900.00 of new 5% Preferred Stock, Series "AAA", outstanding as at August 31, 1936, as against $14,517,400.00 of the 6% Preferred Stock, Series "AA" outstanding August 31, 1935.

Again I wish to express my gratitude to the Organization for its loyalty and faithful service and trust that we will continue to enjoy the pleasant relations between Management and employees which have prevailed throughout the past history of the Company.

Geo. A. Martin

AUDITORS' CERTIFICATE

The Sherwin-Williams Company,
Cleveland.

We have made an examination of the consolidated balance sheet of THE SHERWIN-WILLIAMS COMPANY and SUBSIDIARIES as at August 31, 1936, 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 subsidiaries as at August 31, 1936, 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 23, 1936.

CONSOLIDATED INCOME AND SURPLUS

THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES

For the year ended August 31, 1936.

SUMMARY OF INCOME

Profit from operations for the year ended August 31, 1936, before other income, depreciation, other deductions and federal income tax		$ 8,094,006.46
Other income:		
Profit on sale of securities - - -	$ 116,634.54	
Interest earned, etc. - - - - - - -	66,717.88	183,352.42
		$ 8,277,358.88
Deductions:		
Provision for depreciation - - -	$ 880,495.34	
Loss on permanent assets sold or scrapped, provision for doubtful accounts, etc. - - - - - -	515,222.72	
Provision for estimated federal income tax - - - - - - - - - - -	994,011.74	2,389,729.80
NET PROFIT FOR YEAR -		$ 5,887,629.08
Earned surplus September 1, 1935 -		16,146,510.55
		$22,034,139.63

DEDUCTIONS

Dividends paid and provided for:		
Preferred - - - - - - - - - - - -	$ 790,744.50	
Common ($4.00 per share) - - -	2,535,708.00	
	$3,326,452.50	
Premium on 6% preferred stock called for redemption - - - - -	15,425.00	3,341,877.50
EARNED SURPLUS AUGUST 31, 1936 - - - - -		$18,692,262.13

(Note A) The Companies' proportionate share of the operating results of unconsolidated affiliates during the year has been reflected in the foregoing statement, with the exception of the results of the Canadian affiliate. Final statement as to operating results of the Canadian affiliate for the year ended August 31, 1936 was not available at date of issuance of this report.

CONSOLIDATED BALANC

THE SHERWIN-WILLIAMS COMPANY

As at the close of business August

Assets

CURRENT		
Cash - - - - - - - - - - - - - - -	$ 6,239,775.83	
Notes and acceptances receivable -	232,587.16	
Accounts receivable, less reserves (includes accounts amounting to $7,611.61 due from unconsolidated affiliates) - - - - - - - - - -	8,335,395.61	
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) - - - - -	16,954,240.01	$31,761,998.61
OTHER ASSETS		
Notes receivable for properties sold during 1934—secured by mortgage - - - - - - - - - - - - - - - -	$ 135,325.50	
Miscellaneous notes and accounts receivable, claims, advances, etc., less reserves - - - - - - - - -	374,467.96	509,793.46
INVESTMENTS		
Securities of affiliated companies not consolidated (Note A) - - -	$ 3,764,981.54	
Other securities—at or below cost	66,070.65	3,831,052.19
FIXED ASSETS		
Land, buildings, machinery and equipment at cost to consolidated companies, less reserves for depreciation - - - - - - - - - -		17,196,871.69
PATENTS AND TRADE-MARKS		
Nominal value - - - - - - - - - -		1.00
DEFERRED		
Advertising stock, stationery, etc. -	$ 636,986.83	
Prepaid insurance, taxes, etc. - - -	278,169.64	915,156.47
		$54,214,873.42

(Note A) Investments in securities of affiliated companies not consolidated 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) investments aggregating $69,156.54 which are stated at equity in net assets of such affiliates. Net decrease in equity in unconsolidated Canadian affiliate since date of acquisition, not taken up by parent Company, amounted to approximately $680,000.00 as of August 31, 1935 (final statement

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·WILLIAMS COMPANY AND SUBSIDIARIES

; at the close of business August 31, 1936

	Liabilities, Capital Stock and Surplus		
	CURRENT		
	Accounts payable, etc. (includes account amounting to $3,730.35 payable to unconsolidated affiliate) - - - - - - - - - - - - -	$ 2,096,444.91	
	Preferred dividend payable September 1, 1936 - - - - - - - -	177,611.25	
	Accrued federal, state and county taxes, etc. - - - - - - - - - - -	1,735,193.84	
	Deposits—officers and employees -	514,907.26	
$31,761,998.61	Mortgage payable (existing when subsidiary was fully acquired in 1934) - - - - - - - - - - - - -	140,000.00	$ 4,664,157.26
	RESERVES		
509,793.46	For contingencies, maintenance of plants and employers' liability insurance (reserve for revaluation of plants, in the amount of $481,821.20, previously included hereunder has been deducted from fixed asset accounts) - - - - - -		801,379.03
3,831,052.19	CAPITAL STOCK		
	Preferred — authorized 395,500 shares (par value $100.00 each) Outstanding — series "AAA" 5% cumulative preferred — 142,089 shares - - - - - - -	$14,208,900.00	
17,196,871.69	Common — authorized 800,000 shares (par value $25.00 each)		
1.00	Outstanding — 633,927 shares	15,848,175.00	
	CONSOLIDATED EARNED SURPLUS		
915,156.47	Balance August 31, 1936 - - - - -	18,692,262.13	48,749,337.13
$54,214,873.42			$54,214,873.42

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t cost which was less than
ıbles) of the net assets of
nts aggregating $69,156.54
t decrease in equity in un-
taken up by parent Com-
t 31, 1935 (final statement

as to operating results for year ended August 31, 1936 was not available at date of issuance of this report). Proportionate share (not significant) of net profits or losses on all other unconsolidated affiliates has been taken up.

(Note B) The Companies were reported contingently liable at August 31, 1936 in the amount of $15,147.06 as guarantors of a portion of certain notes discounted by dealers.