

R I L E Y S T O K E R C O R P O R A T I O N

CONSOLIDATED BALANCE SHEET
AND
SURPLUS STATEMENTS

December 31, 1940

GEORGE A. SMITH AND COMPANY
Certified Public Accountants
390 MAIN STREET
Worcester, Mass.

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Certified Public Accountants
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WORCESTER, MASS.

Walter J. O'Donnell, C.P.A.
Richard P. Smith, C.P.A.

March 24, 1941.

To The Board of Directors
Riley Stoker Corporation
Worcester, Massachusetts

We have examined the Consolidated Balance Sheet of the Riley Stoker Corporation and Subsidiary Companies as of December 31, 1940 and the Statements of Income and Surplus for the year ended on that date; have reviewed the system of internal control and the accounting procedures of the Riley Stoker Corporation and the Badenhhausen 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. With respect to the A. W. Cash Company, whose accounts were not audited by us, we were furnished with a report of independent accountants.

In our opinion, the accompanying Consolidated Balance Sheet and related Statements of Income and Surplus present fairly the Consolidated position of the Riley Stoker Corporation and its Subsidiaries at December 31, 1940 and the Consolidated results from operations for the year ended on that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

(Signed) George A. Smith & Co.

RILEY STOKER CORPORATION
AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET

December 31, 1940

ASSETS

CURRENT ASSETS

Cash		\$ 263,763.16
Receivables		
Customers' Notes (See Note 1)	\$ 33,661.93	
Customers' Accounts	1,425,558.22	
Others	<u>3,178.10</u>	
	\$ 1,462,398.25	
Less: Reserve for Doubtful Accounts	<u>53,325.88</u>	1,409,072.37
Inventories (Quantities and Condition determined by Company; Priced at Cost)		1,001,745.08
Advances to Salesmen and Erectors		31,501.53
Deposits with Bids		3,587.50
Royalties Accrued		<u>2,111.49</u>
Total Current Assets		\$ 2,711,781.13

FIXED ASSETS

Land	\$ 186,114.11	
Buildings	863,485.27	
Machinery and Equipment	1,104,605.56	
Equipment under Construction	<u>7,819.98</u>	
	\$ 2,162,024.92	
Less: Reserve for Depreciation	<u>921,387.68</u>	1,240,637.24

PATENTS - DEPRECIATED VALUE

35,033.95

OTHER ASSETS

Note - Secured by First Mortgage on Real Estate	\$ 2,323.53	
Securities Acquired - Cost	8,172.85	
Employees' Stock Purchase Notes (See Note 2)	<u>48,838.87</u>	59,335.25

DEFERRED CHARGES

Prepaid Insurance, Interest, and Taxes	\$ 22,739.85	
Deferred Commissions	39,034.66	
Supplies, Repairs and Maintenance Parts	<u>6,563.79</u>	<u>68,338.30</u>
		<u>\$4,115,125.87</u>

RILEY STOKER CORPORATION
AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET

December 31, 1940

LIABILITIES

CURRENT LIABILITIES

Notes Payable to Banks	\$ 520,000.00
Notes Payable to Officers and Stockholders (See Note 3)	84,105.00
Accounts Payable - Trade	295,737.45
Advance Billing on Contracts	252,351.94
Provision for Federal and State Taxes	348,481.70
Sinking Fund Instalment Due in 1941 for Retirement of Preferred Stock	48,299.10
Customers' Deposits	28,600.00
Accrued Liabilities	
Wages	26,511.79
Commissions	91,294.26
Insurance	10,811.86
Other	4,333.09

Total Current Liabilities \$1,710,526.19

ACCOUNTS PAYABLE - TRADE - DEFERRED

3,555.12

Total Liabilities

\$1,714,081.31

CAPITAL STOCK AND SURPLUS

CAPITAL STOCK

Preferred, 6% Cumulative, Par Value \$100.00 per share	
Redemption Value, \$156.00 per share	
Issued and Outstanding, 3,600 shares	360,000.00

Common, Par Value \$3.00 per share

Authorized, 350,000 shares

Issued 349,954 shares \$ 1,049,862.00

Less: In Treasury 6,063 shares 18,189.00

Outstanding 343,891 shares 1,031,673.00

SURPLUS (Per Statement Attached)

Earned Surplus	\$ 906,218.67	
Capital Surplus	103,152.89	1,009,371.56

\$4,115,125.87

See Notes on Next Page.

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RILEY STOKER CORPORATION

AND SUBSIDIARY COMPANIES

NOTES TO BALANCE SHEET

December 31, 1940

- Note 1 There is a contingent liability of \$31,804.36 on Notes Receivable discounted which are secured by Conditional Sales Contracts.
- Note 2 There is a contingent liability of \$14,065.00 in connection with an employees' stock purchase agreement. If the Company reacquires stock before payment is made in full, it agrees to pay 97 cents per share in excess of amount paid in.
- Note 3 Collections on Debentures of A. W. Cash Company, a subsidiary, are assigned to secure payment of notes to officers and stockholders. These debentures, in the amount of \$100,000.00, are owned by the Riley Stoker Corporation, but are eliminated as an asset of the Riley Stoker Corporation and a liability of the A. W. Cash Company in this Balance Sheet.

RILEY STOKER CORPORATION
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF EARNED SURPLUS

For the Year Ended December 31, 1940

Balance, December 31, 1939		\$ 536,900.86
<u>Additions</u>		
Consolidated Net Income for Year		
after Federal Taxes	\$476,277.18	
Patent Cost of Prior Years disallowed		
by Revenue Agent	8,234.67	
Buildings over-depreciated in Prior Years	12,874.44	
Sundry Other Adjustments	733.99	498,120.28
		<u>\$1,035,021.14</u>
<u>Deductions</u>		
Dividends Paid by Riley Stoker Corporation on:		
Preferred Stock	\$25,200.00	
Common Stock	34,389.10	
Dividends Paid by Subsidiaries on Preferred		
Stock while held by Individual Stockholders:		
Badenhausen Corporation	1,236.00	
A. W. Cash Company	1,250.00	
Tools and Patterns Written Off	5,618.10	
Royalties due in Prior Years in Foreign		
Exchange Written Off	12,810.17	
Provision for Sinking Fund Instalment Due in		
1941 for Retirement of Preferred Stock	48,299.10	128,802.47
		<u>\$ 906,218.67</u>
Balance, December 31, 1940		

RILEY STOKER CORPORATION
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CAPITAL SURPLUS

For The Year Ended December 31, 1940

Balance, December 31, 1939	\$344,855.68
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<u>Addition</u>		
Excess of Par Value over Cost of Subsidiary Stock Purchased from Individual Stockholders		<u>11,315.31</u>
		\$356,170.99

<u>Deductions</u>		
Transfer to Common Stock account to change value from no par to a par value of \$3.00 per share	\$248,015.67	
Excess of Cost of Acquisition over par value of 751 shares of Preferred Stock	<u>5,002.43</u>	<u>253,018.10</u>

Balance, December 31, 1940		<u><u>\$103,152.89</u></u>
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RILEY STOKER CORPORATION
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For The Year Ended December 31, 1940

Profit on Operations after Selling and Administrative Expenses, and Provision for Doubtful Accounts, but before Depreciation and Amortization	857,444.64
Depreciation and Amortization	<u>69,973.67</u>
Operating Profit	787,470.97
Other Income	<u>8,308.47</u>
Gross Income	795,779.44
Other Deductions	<u>21,048.45</u>
Net Income before Federal Income Tax	\$774,730.99
Provision for Federal Income Tax	<u>298,453.81</u>
Net Income, Carried to Surplus	<u><u>\$476,277.18</u></u>