BROWN-FORMAN
DISTILLERY COMPANY
INCORPORATED

ANNUAL REPORT
APRIL 30, 1939
BROWN-FORMAN DISTILLERY COMPANY
INCORPORATED

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APRIL 30, 1939

OLD FORESTER
Kentucky Straight Bourbon Whiskey
Bottled in Bond
Under U. S. Government Supervision
100 Proof

EARLY TIMES
Kentucky
Straight Bourbon Whiskey
90 Proof

OLD TUCKER
Brand
A Blend of Straight Whiskies
90 Proof

OLD POLK
Brand
Kentucky Straight Bourbon Whiskey
100 Proof

BOTTOMS UP
Kentucky
Straight Bourbon Whiskey
90 Proof

"1870"
Brand
Kentucky Straight Bourbon Whiskey
90 Proof

BROWN-FORMAN SELECTED
Kentucky
Straight Bourbon Whiskey
90 Proof
BROWN-FORMAN DISTILLERY COMPANY
INCORPORATED

Louisville, Kentucky
July 3, 1939.

To the Stockholders:

There are annexed hereto the Consolidated Balance Sheet and the Consolidated Surplus and Income Accounts of your Company and its wholly owned subsidiaries for the year ended April 30, 1939 as certified to by Messrs. Lybrand, Ross Bros. & Montgomery.

Operations for the fiscal year under review resulted in net income of $75,551.56, after deducting Federal and State taxes on income. It should be noted that in arriving at this net income, there was included at average purchase cost, certain 4-year-old Whiskey purchased, bottled and sold within the fiscal year under review. Had this whiskey been costed at the average purchase and production cost (basis consistent with previous year for costing other whiskey) the net income (before income taxes) for the fiscal year would have increased approximately $65,000.

While the whiskey business has grown increasingly competitive, you will be pleased to note that, despite a substantial reduction in selling expenses, there has been but a relatively small decline in sales volume compared with that of the preceding fiscal year.

Your management is gratified to report that sales of our higher priced merchandise have shown a very substantial increase and during the past fiscal year attained a new high level.

During the year notes payable to banks under terms of the bank agreement were reduced from $2,000,000 to $1,500,000 and your management is pleased to announce that the agreement under which the notes were to mature September 1, 1939, has been extended to September 1, 1940.

Current assets as at April 30, 1939, were $4,095,396.99 compared with current liabilities of $879,923.35.

I wish to take this opportunity of expressing the appreciation of the management to our own organization, our dealers and our stockholders for their loyalty.

Respectfully submitted,
By order of the Board of Directors,
Owsley Brown, President
BROWN-FORMAN DIST.  
INCORPORATED IN  
AND ITS WHOLLY OWNED  
CONSOLIDATED BALANCE SHEET  

ASSETS:

Cash on hand and demand deposits .................................................. $ 228,479.07
Notes receivable, trade .................................................................. 9,260.73
Accounts receivable, trade ................................................................. 903,849.33
Less, Allowance for doubtful accounts ........................................... 46,092.08

 Inventories:
Finished stock:
Purchased barreled whiskey (Brown-Forman distillation—approximately 4 years old) at average purchase cost including carrying charges (subject to withdrawal taxes) .......................................................... 144,087.74
Barreled whiskey, at average purchase and production cost, including carrying charges (subject to withdrawal taxes) .................................................. 2,684,152.66
(Warehouse certificates representing barreled whiskey (inventoried at approximately $265,000) deposited as collateral to notes payable, contra)
It is the present intention of the company to hold in reserve a portion of the inventory to be aged.
Cased goods, at lower of cost or market ........................................... 81,650.97
Dried grain, at cost ........................................................................... 165.99

In process, at cost .............................................................. 2,910,057.36
Raw materials and supplies, at lower of cost or market ................. 23,671.39
Merchandise in transit, at lower of cost or market ........................ 38,186.37

Accrued storage, claims receivable and deposits ......................... 4,537.05
Accounts receivable, officers and employees ......................... 2,976,452.17

Total current assets ..................................................................... 17,736.38

Cash surrender value, life insurance ................................................. 5,711.39

Land, buildings and equipment, at cost at date of organization, with subsequent additions at cost. Land includes an appraisal value of $106,100 as at organization as reported by Sanderson and Porter, Engineers.

Land ................................................................................. 149,243.79
Buildings and equipment ...................................................... $1,274,867.11
Less, Allowance for depreciation .............................................. 207,601.08

1,067,266.03

Prepaid insurance, and other deferred charges ......................... 59,909.47
Brands and trade-marks, at cost .................................................. 11,593.05

$5,451,613.63

Note 1. Subsequent to the balance sheet date the company has entered into a supplemental agreement (dated as of April 28, 1939) with four banks wherein the notes payable due September 1, 1939 are extended as follows:
Due September 15, 1939 .......................................................... $ 62,600
Due September 1, 1940 ........................................................... 197,600

$1,500,000

Provided, however, that the company does not default under the terms of the agreement, which terms include the provision that the net quick assets as defined in the agreement (including advances under the line of credit as a current liability) do not fall below $1,600,000 and that the aggregate of the current liabilities (excluding advances under credit line and undelinquent income taxes) does not exceed $800,000. On the foregoing indebtedness of $1,500,000 the company agrees to deposit warehouse certificates having a collateral value of $1,500,000.

Under the terms of the agreement and by authority of the holder of the note, the note
LIABILITIES:

Notes payable:
Banks:
Without collateral:
  Due May 15, 1939...................................................... $  95,000.00
  Due September 1, 1939 (Note 1)...........................  150,000.00

  245,000.00

With warehouse certificates deposited as collateral (contra)....  101,200.00 $ 346,200.00

Officer, due February 1, 1940 (Note 1)................................. 12,500.00
Building equipment installment loan (current portion)........  6,382.50
Vendors for whiskey purchased, with warehouse certificates de-
  posited as collateral (contra).....................................  144,849.73

Accounts payable, trade and miscellaneous........................... 509,932.23
Accrued commissions, taxes, interest, etc............................ 262,318.64
Provision for federal and state taxes on income, current and prior
  years, estimated.....................................................  78,800.76
  28,671.72

Total current liabilities................................................. 879,923.35

Notes payable:
Without collateral:
  Banks, due September 1, 1939 (Note 1)........................  1,350,000.00
  Officer, due February 1, 1940 (Note 1)....................  112,500.00
Building equipment loan, due in monthly installments to March
  30, 1941 (current portion above)...............................  6,180.90

  1,468,680.90

Contingent liabilities (Note 2)

CAPITAL:

Preferred stock, no par value, liquidation value $100 per share plus
accrued and unpaid dividends, $6 cumulative, authorized and
issued 15,000 shares (2,700 shares registered under the Securities
Act of 1933, as amended) (Note 3)..................................  1,500,000.00
Common stock, $1 par value, authorized 300,000 shares, issued
280,000 shares (178,000 shares registered under the Securities
Act of 1933, as amended)............................................  280,000.00
Surplus, as annexed:
  Capital..................................................................  710,368.25
  Earned (Note 3)...................................................  612,641.13

  3,103,009.38

  $5,451,613.63

payable to officer in the amount of $125,000 is to be extended and warehouse cer-
ficates are to be deposited as collateral ratably with the notes to the banks.

Note 2. Contingent liabilities:
  Notes receivable discounted with bank $78,432.45.
  Additional assessments for Income and Excess Profits taxes of approximately $4,000
  for the fiscal year 1936 and Undistributed Profits tax of approximately $93,000 for
  the fiscal year 1937 have been proposed by the Treasury Department and are now
  under discussion. It is not anticipated that the company will ultimately be required
  to pay any part of these proposed assessments.
  Suits and claims pending, arising in the ordinary course of business, in an indetermi-
  nate amount, the ultimate liability with respect to which counsel advises will not
  be material in relation to the total consolidated assets.

Note 3. Undeclared cumulative dividends on preferred stock amounted to $112,500 ($7.50 per
  share representing five quarterly dividends) at April 30, 1939. Four quarterly divi-
  dends having been passed on the preferred stock, the holders thereof shall be entitled
to the same voting powers thereon as belong to the common stock.
CONSOLIDATED SURPLUS ACCOUNTS
FOR THE YEAR ENDED APRIL 30, 1939

<table>
<thead>
<tr>
<th>Capital</th>
<th>Earned</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances, May 1, 1938</td>
<td>$710,368.25</td>
<td>$1,247,457.82</td>
</tr>
<tr>
<td>Profit for the year ended April 30, 1939, as annexed</td>
<td>$537,089.57</td>
<td>75,551.56</td>
</tr>
<tr>
<td>Balances, April 30, 1939</td>
<td>$710,368.25</td>
<td>$1,323,009.38</td>
</tr>
</tbody>
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Note 3 to the accompanying balance sheet as at April 30, 1939, is incorporated herein by reference.

CONSOLIDATED INCOME ACCOUNT
FOR THE YEAR ENDED APRIL 30, 1939

| Sales, less returns, allowances and freight out | $6,170,565.86 |
| Cost of sales | $4,628,099.45 |
| Distillery overhead expense not absorbed in production | 30,892.43   |
| Storage, handling and bottling for others | 1,511,573.98 |
| Selling expenses | 1,089,412.70 |
| Administrative and general expenses | 187,669.80   |
| Operating profit | 237,847.31   |
| Discounts earned | 9,900.11     |
| Other expenses: | 247,747.42   |
| Discounts allowed | 35,647.99    |
| Interest, net | 113,361.57   |
| Miscellaneous | 424.60        |
| Profit before Federal and State taxes on income | 149,434.16   |
| Federal and State taxes on income, estimated | 98,313.26    |
| Net income | $75,551.56    |

The profit stated above has been determined by including at average purchase cost certain four year old whiskey purchased, and bottled and sold within the fiscal year. Had this whiskey been costed at the average purchase and production cost (basis consistent with previous year for costing other whiskey) the net income (before income taxes) for the fiscal year would have increased approximately $65,000.
LYBRAND, ROSS BROS. & MONTGOMERY
ACCOUNTANTS AND AUDITORS
HEYBURN BUILDING
LOUISVILLE

BROWN-FORMAN DISTILLERY COMPANY,
LOUISVILLE, KENTUCKY.

We have made an examination of the consolidated balance sheet of
BROWN-FORMAN DISTILLERY COMPANY (Incorporated in
Delaware) and its Wholly Owned Subsidiaries as at April 30, 1939
and of the consolidated statements of income, earned surplus, and
capital surplus for the year ended April 30, 1939. In connection
therewith, we examined or tested accounting records of the Companies
and other supporting evidence and obtained information and explana-
tions 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 such examination, the accompanying
consolidated balance sheet and related consolidated statements of in-
come, earned surplus, and capital surplus fairly present, in accordance
with accepted principles of accounting consistently maintained by the
Companies during the year under review, their consolidated position
at April 30, 1939, and the consolidated results of their operations for
the year then ended.

LYBRAND, ROSS BROS. & MONTGOMERY
LOUISVILLE, KENTUCKY.
June 30, 1939
Famous
OLD
FORESTER

AMERICA'S "GUEST WHISKY" Since 1870

- Your taste will confirm the statement written on the label by George Garvin Brown, founder of the Brown-Forman Distillery: "Its elegant flavor is solely due to original fineness developed by age. There is nothing better in the market."

100 PROOF

BROWN-FORMAN DISTILLERY
CO., INCORPORATED ... AT
LOUISVILLE IN KENTUCKY

A BROWN-FORMAN QUALITY PRODUCT