

# 1964 Annual Report



*CAROLINA* Mills, Inc.

MAIDEN, NORTH CAROLINA

## DIRECTORS



**JULIUS W. ABERNETHY**  
Chairman of the Board

Julius W. Abernethy  
Chairman of the Board  
Industrialist, Newton, N. C.

Julius W. Abernethy, Jr.  
President, Carolina Glove Co.  
Newton, N. C.

Dan M. Boyd  
President, Vale Hosiery Co.  
Lincolnton, N. C.

Joseph L. Barnett  
Secretary-Treasurer  
Perfection Spinning Co.  
South Fork Mfg. Co.  
Belmont, N. C.

Joseph A. Moretz  
Secretary-Treasurer  
Maxwell-Royal Chair Co.  
Hickory, N. C.

O. Leonard Moretz  
President, Carolina Mills, Inc.  
Maiden, N. C.

Edward P. Shrum  
Vice President, Carolina Mills, Inc.  
Maiden, N. C.

T. P. Pruitt, Jr.  
Vice President, Carolina Mills, Inc.  
Maiden, N. C.

J. L. Thompson, Jr.  
Secretary, Carolina Mills, Inc.  
Maiden, N. C.

R. P. Caldwell  
President, R. P. Caldwell & Co.  
Gastonia, N. C.

Stewart Materne  
Vice President  
First and Merchants National Bank  
Richmond, Va.

Caldwell Ragan, Sr.  
Vice President, Carolina Mills, Inc.  
Gastonia, N. C.

## OFFICERS

J. W. Abernethy, Sr.  
Chairman of the Board

O. Leonard Moretz  
President-Treasurer

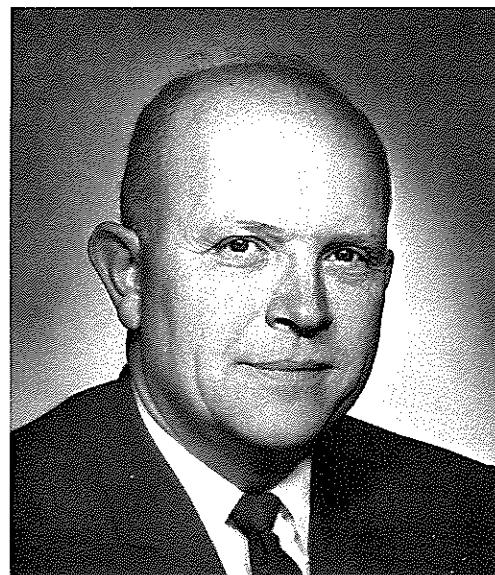
Edward Shrum  
Vice President in Charge  
of Manufacturing

T. P. Pruitt, Jr.  
Vice President in Charge  
of Fabric Marketing

Caldwell Ragan, Sr.  
Vice President and General  
Manager of Trenton Division

J. L. Thompson, Jr.  
Secretary and Assistant Treasurer

## PRESIDENT'S MESSAGE



**O. LEONARD MORETZ**  
President

On April 11, 1964, President Johnson signed into a law a new bill that has great significance for the entire textile industry. This law made it possible for domestic spinners to buy their cotton supply at the same price spinners throughout the world pay for their cotton. The equalization payments received by cotton spinners under this program have erroneously been called a subsidy by most newspaper writers and commentators.

As soon as the sales yarn spinners started processing low-priced cotton, they immediately reduced yarn prices to their customers, passing along a major portion of the savings. Some was retained to offset the write-down in value of stock-in-process and finished goods inventories. Some was retained to offset pay increases granted our employees last September. Our fabric prices were similarly reduced a few weeks later.

All foreign-produced cotton goods were placed under restrictive quotas two years ago, and the demand for domestic production has grown strong in spite of an unfavorable price differential. The reduction of prices enabled domestic producers to compete more favorably with foreign production, thereby building up a larger market for our products. This new demand has kept our prices strong.

All of the corrective measures that have been adopted during the past two to three years are temporary in nature. We are quite encouraged to have President Johnson state he recognizes the precarious position of our textile industry, and pledge his efforts to get these remedies made permanent. Those of us holding investments in textiles should give our full support to such legislation when it is presented in Washington.

O. LEONARD MORETZ  
*President*

# The Story of Carolina Mills – Products

**SALES YARNS:** When Carolina Mills was first incorporated in 1928 there was only one plant. This plant was located in Maiden and had 12,912 spindles producing only one style of yarn – 20/2 carded cotton. It was not long before we realized that it was more important to serve customers than to merely manufacture a product. When several of our very important users requested that we supply them with 16/2 and 24/3, we started on our program of diversification. During the depression years of the early 1930's our great concern was for survival and it was not until the late 30's that it appeared attractive to increase our operation. We then acquired a building in North Newton, and in 1940 began assembling the necessary machinery to produce a line of carded yarns ranging from 8/2 to 12/2 that would complement and supplement the production from Maiden.

In 1959, we acquired the Glenn Mills, Inc. of Lincolnton, North Carolina, consisting of two spinning units. All productive machinery was consolidated into one plant to produce a range of counts from 16/1 to 30/1. Our first idea was to produce only carded cotton knitting yarns in this plant but after entering this field we found the prices to be quite depressed by reason of the tremendous quantity of carded single knitting yarn that was being imported from Portugal, Spain, and other countries. Total imports of carded single yarn increased by 1600% in 1960, 13% in 1961, and 60% in 1962. With the cotton yarn markets being sorely depressed by imports encouraged by the two-priced cotton program, we began concentrating our sales efforts on the development of new yarns from man-made fibers and blends.

With the acquisition of Trenton Cotton Mills in Gastonia and Abernethy Yarn Mills, Statesville in 1961, Carolina Mills rounded out its line of sales yarns to include combed cotton yarn counts ranging from 30's to 50's, going into thread yarns and specialty purpose weaving yarn. The Statesville plant was revamped to produce high grade carded yarn and yarn spun from rayon in finer counts than could be produced in any of our other plants.

The use of Orlon, Acrilan, Creslan, and other Acrylic fibers has grown tremendously in the knitted apparel field. In order to get into this market, machinery was installed during the past year in the second of the two plants acquired from Glenn Mills in Lincolnton. We are now set-up to produce acrylic yarns in counts ranging from 10's to 30's and expect this to be a very important phase of our operation in the very near future.

Summarizing, we are now operating six plants in the production of sales yarns with a weekly capacity of 475,000 pounds. Some of the items produced are:

Carded Cotton Weaving Yarns — 8's to 40's, Single and Plied

Carded Cotton Knitting Yarns — 6/1 to 30/1

Combed Cotton Yarns for Weaving and Thread — 30's to 50's, Single and Plied

Yarns spun from 4 types of Rayon — 6's to 45's, Single and Plied

Yarns spun from 4 types of Acrylic — 10/1 to 30/1

Yarns spun from Nylon, Polypropylene, Modacrylic, and 4 types of Polyester — 100% or in blends with Cotton or other fibers.

#### FABRICS:

In 1947, the assets and productive machinery of the New City Mills Company and the Abernethy Manufacturing Company were acquired through an exchange of stock. The machinery of Abernethy Manufacturing Company was moved from Laurinburg and merged with machinery of New City Mills Company, and delegated to the production of canton flannel for the work glove industry. Due to the age and condition of this machinery, the production of canton flannel did not prove to be as profitable or attractive as sales yarn. In 1952, it was recognized that we would either have to modernize our plant so we could produce a better quality cloth and at the same time reduce our manufacturing costs, or close down this unit. The decision was to modernize and this began a long program of improvements that has converted this once-shaky operation into one of our finest units today. New Draper shuttleless looms have been installed to produce a line of flannel ranging in weight from 6 oz. to 14 oz. per yard and widths varying from 35" to 40" — some 85 styles in all. We have our own facilities for dyeing and combining which permits us to offer the widest range of flannel in the market.

Having a wide variety of sales yarns being produced in our various plants, we felt that a portion of these yarns could, and should be moved into the market in the form of cloth rather than straight sales yarns. In 1963, Carolina Mills acquired a small weaving plant in Hickory, producing specialty fabrics for the apparel trade. During the past year a substantial addition has been made to this plant and 100 additional looms are now being installed. Fabrics will be produced for home furnishings and furniture trades as well as the apparel trade. The output of these looms is being merchandized by McCampbell-Graniteville Company with headquarters in New York City.

#### FINISHING:

In the merger of 1947, Carolina Mills, Inc. acquired a small knitting and sewing operation. A bleachery was constructed to process their cloth. When the sewing operation was sold in 1954, the finishing plant was retained and a commission finishing operation for tubular knit goods was started. Our initial capacity for dyeing and bleaching was 40,000 pounds weekly. Through the years our capacity has increased to the point where we can now handle approximately 220,000 pounds weekly. For the past several years we have been working with another concern in a program to control the shrinkage of knit goods in finishing. Our working in this field has made us well-known throughout the knit goods industry. We have had many visits from the head merchandizing executives of the chain stores and integrated knit garment producers. It is impossible to accurately measure the value of the publicity we have derived from these visits.

# The Year in Review

Having just completed the fourth consecutive year of full time operations, it is now apparent the supply-demand ratio has reached a balance. With the influx of foreign spun yarns being brought under control by import quotas and our domestic prices becoming more competitive because of the one-price cotton program, we are seeing a fulfillment of the hopes and aspirations that led to our expansion and modernization program.

Most of our efforts during the past year have been devoted to completing the projects undertaken a year ago. Thirty-five thousand square feet of floor space has been added to our Plant 14 in Hickory. One hundred rebuilt Draper X2 Cam looms have been installed. In addition, 30 XD Draper Dobby looms are being moved from Plant 3. This brings the total looms up to 216, the remaining 86 being 4X1 C&K Box looms.

The balancing of our manufacturing facilities was completed early in 1964 at Plant No. 3. We still have to complete the installation of refrigerated air conditioning. This is to get underway shortly after the first of the year and must be finished by next summer.

A new boiler room was constructed at Gastonia. New drawing has been installed at Plant 2 and other minor changes have been made at our yarn producing plants. Our installation of spinning at Plant 15 in Lincolnton has been completed. We now have 3740 spindles of new Saco-Lowell Magna-draft spinning and 3740 spindles with Magna-draft change-over attachments ready to put into operation as soon as we can get our fiber supply lined-up properly. We expect to spin the finest line of acrylic yarns available in the market.

With the development of a full range of yarn counts to offer in the market, and with new emphasis being placed on the production of yarns from man-made fibers, it became quite apparent that we could best fill our position as the connecting link between the fiber producer and fabric producer by establishing a sales organization of our own. For years we have handled sales in the southern territory directly from our Maiden office. However, sales in the north and east have been handled through various brokers and commission agents. The latter part of last year Carolina Mills, Inc. organized a wholly-owned subsidiary, the Carolina Maiden Corporation, to handle the sale of its entire output of yarn. An office has been opened in Room 7606 of the Empire State Building, and, in addition, salesmen have been stationed in Providence and Philadelphia. This sales organization has now been functioning for more than three months and it is quite evident that this move will be very beneficial.

We wish to thank our employees for their dedicated efforts and cooperation which is largely responsible for the progress we have made.

We also wish to express our appreciation to our stockholders who are furnishing the money with which we build our plants, acquire our machinery, make our payrolls, and otherwise finance our operations. We sincerely hope our stewardship of your funds meets with your approval.

# Distribution of Each Dollar of Income

TOTAL INCOME	<u>\$ 22,133,506</u>	<u>100.00%</u>
Cost of Raw Materials, Services and Supplies	14,214,532	64.23
Paid in Taxes and Donations	943,088	4.26
Paid in Dividends to the <sup>412</sup> <del>279</del> people whose savings are invested in this Business	292,407	1.32
Depreciation (Wear and Tear) on Buildings and Equipment	678,091	3.06
Retained Earnings used in the growth of the Business	492,370	2.22
Cost of Wages and Salaries	4,778,757	21.59
*Additional Benefits for Employees (Company's share of Social Security Taxes, Pension Trust, Group Insurance, Employees Welfare, Vacation Pay and Bonus	734,261	3.32
	<u>\$ 22,133,506</u>	<u>100.00%</u>

\*The average cost of these benefits for each employee, per hour—31¢

# STATEMENT OF

ASSETS	September 26 1964	September 28 1963
CURRENT ASSETS:		
Cash	\$ 510,134	\$ 672,368
Notes Receivable	99,686	16,944
Accounts Receivable, less reserves	2,836,623	2,470,949
Inventories, at lower of Cost or Market	2,185,544	2,386,220
Deferred Charges	38,129	87,262
Total Current Assets	<u>\$ 5,670,116</u>	<u>\$ 5,633,743</u>
Investments (Note A)	<u>\$ 50,490</u>	<u>\$ 27,590</u>
PROPERTY, PLANT AND EQUIPMENT:		
Land and Buildings	\$ 2,111,020	\$ 2,114,708
Machinery and Equipment	6,691,635	6,108,620
Total	\$ 8,802,655	\$ 8,223,328
Less: Accumulated Depreciation	4,735,867	4,167,207
Depreciated Cost	<u>\$ 4,066,788</u>	<u>\$ 4,056,121</u>
OTHER ASSETS:		
Other Notes and Accounts receivable	\$ 70,490	\$ 15,336
Cash Value Life Insurance	41,208	39,201
Deposits	78,452	55,131
Other Advances and Claims	3,363	
	<u>\$ 193,513</u>	<u>\$ 109,668</u>
<b>TOTAL</b>	<u><u>\$ 9,980,907</u></u>	<u><u>\$ 9,827,122</u></u>

## AUDITOR'S CERTIFICATION

We have examined the balance sheet of Carolina Mills, Inc., as of September 26, 1964, and the related statements of income and retained earnings for the year (fifty-two weeks) then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances

# OF CONDITION

LIABILITIES AND STOCKHOLDERS' EQUITY		September 26 1964	September 28 1963
CURRENT LIABILITIES:			
Notes Payable — Banks		\$ 1,000,000	\$ 1,827,574
Accounts Payable		535,787	493,090
Accrued Accounts		380,839	369,600
Federal and State income taxes (Note D)		651,284	227,056
Total Current Liabilities		\$ 2,567,910	\$ 2,917,320
Long-Term Debt (Note B)		328,989	337,500
Total Liabilities		\$ 2,896,899	\$ 3,254,820
<b>Stockholders' Equity</b>			
CAPITAL STOCK — COMMON:			
Authorized 5,000,000 Shares, \$1.00 Par			
Issued and Outstanding 2,926,518 Shares, 1964		2,926,518	2,921,723
Capital Surplus		476,323	471,453
Retained Earnings		3,681,167	3,183,078
			\$ 6,576,254
Less Treasury Stock at Cost			3,952
Total Stockholders' Equity		\$ 7,084,008	\$ 6,572,302
See accompanying footnotes which are an integral part of the financial statements			
<b>TOTAL</b>		<b>\$ 9,980,907</b>	<b>\$ 9,827,122</b>

In our opinion, the accompanying balance sheet and statement of income and retained earnings, including footnotes, present fairly the financial position of Carolina Mills, Inc., Maiden, N. C., at September 26, 1964, and the results of its operations for the year (fifty-two weeks) then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THIES, WHITFIELD AND GAINES  
Certified Public Accountants

## Footnotes to Financial Statement

- Note A. Investments pledged represent \$18,189.80 in building and loan stock left with the building and loan associations to add additional security to deeds of trust covering purchase of village houses by employees of the company. The amount of the liability cannot exceed the amount of the certificate of deposit with the building and loan associations.
- Note B. On May 1, 1961, the company acquired the manufacturing properties of Abernethy Mills, Inc., Statesville, N. C., for \$600,000.00. The terms of settlement included \$100,000.00 down payment and an unsecured note for the balance of purchase price to be paid \$12,500.00 quarterly plus interest at 5 per cent on the unpaid balance. The unpaid balance at September 26, 1964 was \$287,500.00. Prepayments have been made on the loan and the entire balance due at September 26, 1964 is due after one year.
- Note C. Lease agreements for textile equipment totaling \$2,258,135.94 have been entered into as of September 26, 1964. Of this amount \$1,583,685.74 has been paid, of which \$272,385.57 was paid on leases during the year ended September 26, 1964. Lease payments totaling \$246,111.00 are scheduled for payment for the fiscal year ended September 30, 1965. In addition to the foregoing leases the company has leased certain finishing equipment, which is to be charged for on a production basis.
- Note D. Provision for Income Taxes as shown on the financial statements for the year ended September 26, 1964, has been reduced in the amount of \$55,486.81 for the 7% investment tax credit. For the year ended September 28, 1963, provision for income taxes was reduced in the approximate amount of \$210,000.00 as a result of the realization of a deduction for tax purposes of a bad debt in the amount of \$221,000.00, which was reserved on the books of account at September 29, 1962; and certain other tax adjustments, including approximately \$53,300.00 reduction of the tax liability arising from the reduced rate of taxation on capital gains.
- Note E. State and Federal income tax returns have been examined for the year ended September 28, 1963, and resulting adjustments have been reflected in this report.

# Statement of Earnings and Retained Earnings

YEAR ENDED SEPTEMBER 26, 1964 WITH COMPARATIVE FIGURES FOR 1963

	FISCAL YEARS	
	1964	1963
Net Sales	\$ 21,797,283	\$ 19,907,332
Cost of Sales	20,080,889	18,770,287
	\$ 1,716,394	\$ 1,137,045
Other Deductions (Income), Net	165,988	158,074
Net Earnings before Taxes	\$ 1,550,406	\$ 978,971
Provision for Federal and State Income Taxes (Note D)	765,629	321,915
Net Earnings	\$ 784,777	\$ 657,056
Retained Earnings at beginning of years	3,183,078	2,773,661
	\$ 3,967,855	\$ 3,430,717
Prior years Income Tax adjustments	5,719	545
	\$ 3,973,574	\$ 3,431,262
*Dividends Paid	292,407	248,184
Retained Earnings at end of year	\$ 3,681,167	\$ 3,183,078

## Source and Application of Funds

### FUNDS AVAILABLE

Earnings for year	\$ 784,777
Depreciation	678,091
Sale or retirement of Assets (Book Value)	178,311
Sale of Common Stock	3,952
Sale of Treasury Stock	9,665
	<u>\$ 1,654,796</u>

### DISPOSITION

Plant and Equipment	\$ 765,562
Decrease in Long-Term Debt	8,511
Additional Income Taxes Prior Year	95,787
Dividends Paid	292,407
Net Purchase Investment Stock	22,900
Increase in Other Assets	83,847
Increase in Working Capital	385,782
	<u>\$ 1,654,796</u>

\*QUARTERLY DIVIDENDS ARE PAID ON THE FOLLOWING DATES

January 10th, to Stock of Record December 20th  
 March 10th, to Stock of Record March 1st  
 June 10th, to Stock of Record June 1st  
 September 10th, to Stock of Record September 1st

## CAROLINA MILLS, Inc. • Nine Years

	1964	1963	1962
NET SALES	\$ 21,797,283	\$ 19,907,332	\$ 17,711,771
Net Earnings before Income Taxes	1,550,406	978,971	705,505
Income Taxes	765,629	321,915	411,414
Net Earnings	784,777	657,056	294,091
Dividends Paid (3)	292,407	248,184	233,628
Earnings Retained in Business	3,681,167	3,183,078	2,773,661
Working Capital	3,102,206	2,716,423	2,249,107
Plant and Equipment, less depreciation	4,066,788	4,056,121	4,053,319
Stockholders' Equity	7,084,008	6,572,302	6,163,290
Shares of Stock Outstanding	2,926,518	2,921,723	2,921,723
Book Value per Share	\$ 2.42	\$ 2.25	\$ 2.11
<b>Per Share of Stock</b>			
Net Earnings	26.8¢	22.5¢	10.1¢
Dividends	10.0¢	8.5¢	8.0¢
Net Earnings Retained in Business	16.8¢	14.0¢	2.1¢
Cash flow	50.0¢	43.4¢	29.8¢

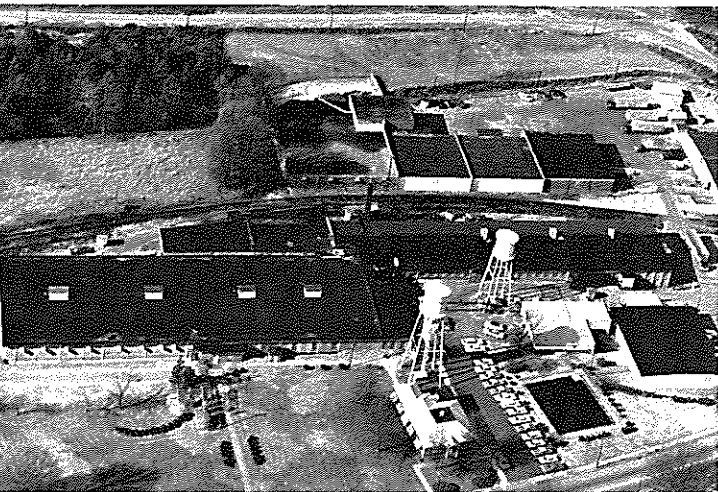
(1) Trenton Cotton Mills, Inc., merged into Carolina Mills, Inc., in year 1961 and treated as a "pooling of interest"

(2) Glenn Mills, Inc., acquired in year 1959 under a statutory merger

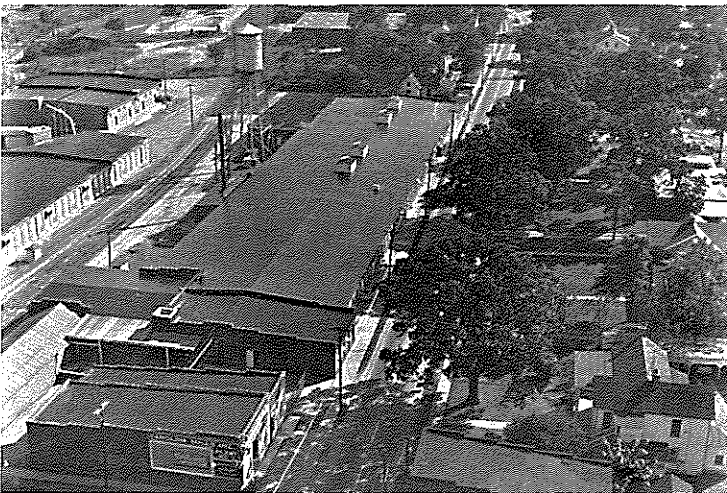
(3) See dividend paying reference on page 11

# in Review from 1956 to 1964 Inclusive

1961	1960	1959	1958	1957	1956
\$ 13,289,647	\$ 11,945,711	\$ 10,698,042	\$ 8,260,641	\$ 8,768,468	\$ 7,895,150
537,039	730,394	778,729	435,805	673,729	660,456
268,329	399,367	350,886	231,528	363,144	357,956
268,710	331,027	427,843	204,277	310,585	302,500
212,010	160,665	140,459	101,422	152,223	126,852
2,674,908 (1)	1,534,557	1,369,146	1,078,622	969,556	810,853
2,045,428	1,355,072	1,521,341	1,014,322	970,439	1,060,379
4,459,507	2,932,428	2,418,353	1,731,058	1,697,272	1,483,376
6,055,433	4,317,400	4,151,585	2,867,254	2,758,149	2,599,446
2,916,723 (1)	2,016,723	2,016,523 (2)	1,691,363	1,691,363	1,691,363
\$ 2.08	\$ 2.14	\$ 2.06	\$ 1.70	\$ 1.63	\$ 1.54
9.2¢	16.4¢	21.2¢	21.1¢	18.4¢	17.9¢
7.3¢	8.0¢	7.0¢	6.0¢	9.0¢	7.5¢
1.9¢	8.4¢	14.2¢	6.1¢	9.4¢	10.4¢
21.7¢	30.2¢	31.4¢	21.5¢	26.5¢	24.4¢

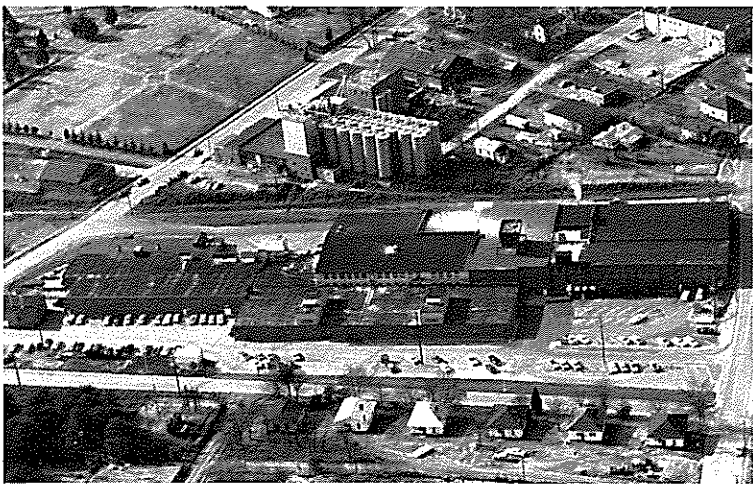


Plant No. 1, Maiden, North Carolina, Cotton and Synthetic Yarn Spinning.

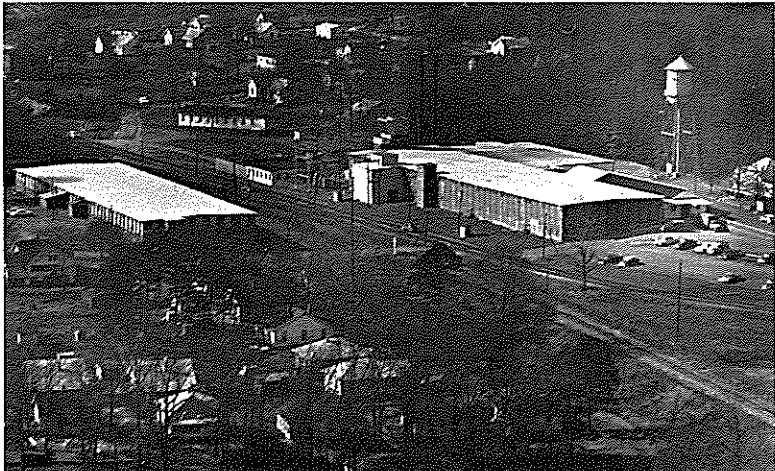


Plant No. 2, Newton, North Carolina, Cotton and Synthetic Yarn Spinning.

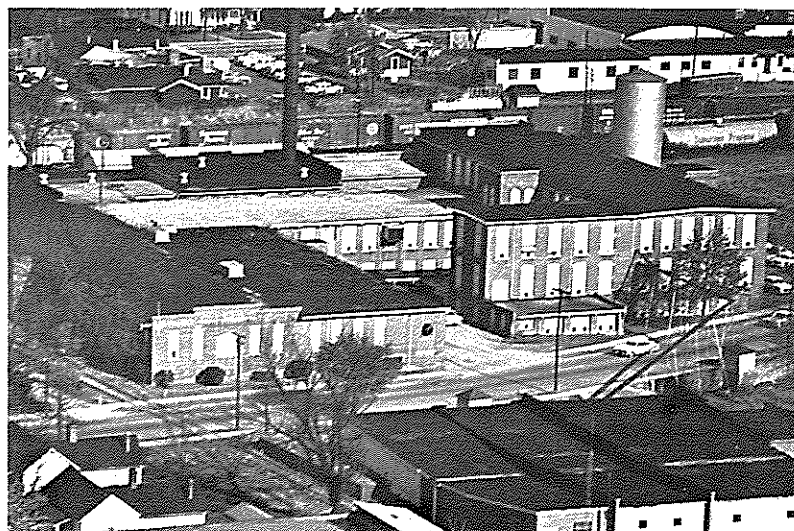
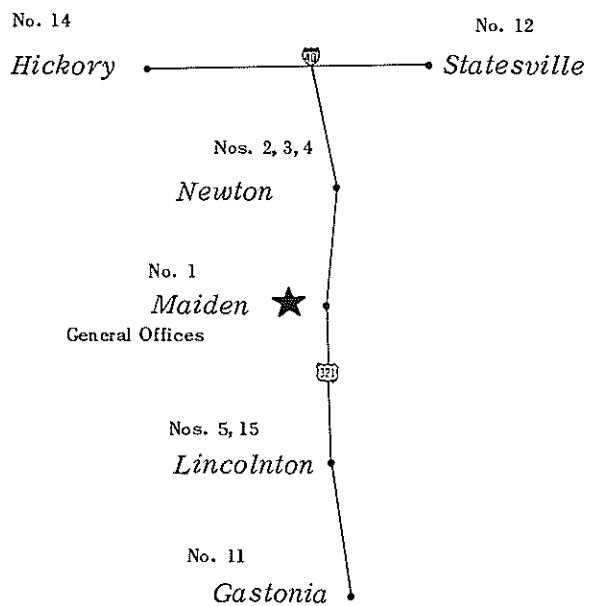
# The Plants



Plants 3 and 4, Newton, North Carolina, Cotton Flannel Weaving and Commission Knit Goods Finishing.

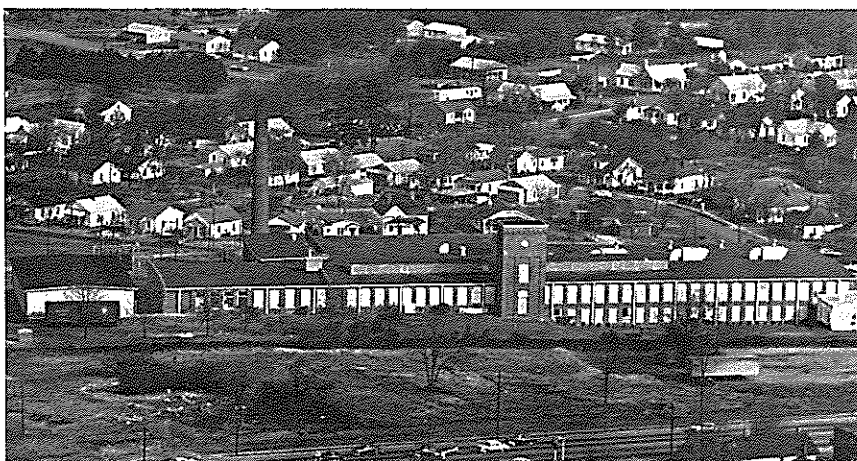


Plant No. 5, Lincolnton, North Carolina, Cotton and Synthetic Spinning; and Plant 15, in Lincolnton, Acrylic Yarn Spinning Plant.



Plant No. 11, Gastonia, North Carolina, Combed Yarn Spinning.

*Carolina Mills' General Offices and Plants*



Plant No. 12, Statesville, North Carolina, Carded Yarn Spinning.



Plant No. 14, Hickory, North Carolina, Decorative Weaving.