

WISCONSIN CENTRAL AIRLINES, INC.

1947
Annual Report

FOR THE YEAR ENDED
DECEMBER 31, 1947

NEW YORK

CHICAGO
GREEN BAY
LACROSSE

ALEXANDER GRANT & COMPANY

MEMBERS AMERICAN INSTITUTE OF ACCOUNTANTS
CERTIFIED PUBLIC ACCOUNTANTS
303 BELLIN BUILDING

GREEN BAY, WISCONSIN

To the Stockholders and Directors
Wisconsin Central Airlines, Inc.
Clintonville, Wisconsin.

We have examined the balance sheet of WISCONSIN CENTRAL AIRLINES, INC. (a Wisconsin corporation) as of December 31, 1947, have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records 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.

During the period from May 15, 1944 (date of incorporation) to December 31, 1947, the company's activities consisted of the organization and development of the enterprise and included obtaining from the Civil Aeronautics Board a certificate of public convenience and necessity for interstate scheduled flight operations and carrying on experimental flights to determine the feasibility of the requested routes. The net expenses incurred in connection with these activities amounted to \$140,547.34 and have been capitalized as a deferred charge to be amortized over the remaining period of the certificate after commencement of scheduled flight operations. A certificate of public convenience and necessity for a period of three years was issued on October 3, 1947. We are informed by the management that scheduled flight operations will commence on or about February 1, 1948.

In our opinion, the accompanying balance sheet presents fairly the financial position of Wisconsin Central Airlines, Inc. at December 31, 1947, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Alexander Grant & Company

Green Bay, Wisconsin
January 22, 1948

WISCONSIN CENTRAL AIRLINES, INC.

BALANCE SHEET

December 31, 1947

<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$314,223.30	
Accounts receivable	1,099.46	
Inventories of gasoline, oil and miscellaneous supplies - at cost	767.12	
Prepaid insurance	12,165.32	
Refunds receivable, deposits and sundry items	1,487.67	\$329,742.87
<u>OPERATING PROPERTY AND EQUIPMENT - AT COST</u>		
Flight equipment (\$64,917.27 pledged as security for notes payable - contra)	115,536.43	
Ground equipment	3,714.53	
Hangar and office building	41,940.71	
Improvements to leased property	420.15	
Furniture and fixtures	3,673.72	
	165,285.54	
Less reserves for depreciation (note 2)	10,786.00	154,499.54
<u>DEFERRED CHARGES</u>		
Experimental flying and other developmental expense - net (note 1)	140,547.34	
Organization and capital stock expense	65,846.54	206,393.88
		\$690,636.29

The accompanying notes are an integral part of this balance sheet.

<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Notes payable - equipment (secured by chattel mortgage on \$64,917.27 flight equipment - contra) (note 3)		\$ 33,000.00
Accounts payable		26,091.15
Accrued liabilities		
Pay roll	\$ 4,993.43	
Taxes	722.35	
Interest	87.62	
Insurance	741.74	6,545.14
		\$ 70,636.29
<u>CAPITAL STOCK AND SURPLUS</u>		
Capital stock - common; authorized, 300,000 shares of \$1.00 par value; issued, 155,000 shares		155,000.00
Paid-in surplus - excess of issue price over par value of common stock	465,000.00	620,000.00
		\$690,636.29

The accompanying notes are an integral part of this balance sheet.

WISCONSIN CENTRAL AIRLINES, INC.

NOTES TO BALANCE SHEET

December 31, 1947

1. Experimental flying and other developmental expense - net

The net expense of experimental flying and other development from May 15, 1944 to December 31, 1947, in the amount of \$140,547.34, has been deferred as preoperational expense as related to the development of the enterprise.

On October 3, 1947 the Civil Aeronautics Board issued a certificate of public convenience and necessity authorizing the company to engage in scheduled air transportation for a period of three years.

The management intends to amortize developmental expense over the remaining period of the certificate from date of commencement of scheduled flight operations.

2. Depreciation

Depreciation on property and equipment in use has been provided on a "straight-line" basis at the following annual rates:

Flight equipment	33-1/3%
Ground equipment	10-20%
Hangar and office building	3-1/3%
Furniture and fixtures	10%

Pending the commencement of scheduled flight operations, depreciation has been capitalized as "Experimental flying and other developmental expense - net." Total depreciation charges of \$11,834.32 to December 31, 1947 include \$1,063.84 on operated aircraft sold.

3. Notes payable - equipment

Notes payable - equipment, at December 31, 1947, are as follows:

Note to Pioneer Air Lines, Inc. in the amount of \$25,000.00, due on or before February 15, 1948, with interest at 5% per annum from July 24, 1947. This note is secured by a chattel mortgage on two Lockheed Electra aircraft, engines, propellers and radio equipment purchased with them.

Note to John H. Spengler in the amount of \$13,000.00, due on or before February 1, 1948, with interest at 3% per annum from October 10, 1947. This note is secured by a chattel mortgage on one Lockheed Electra aircraft, engines, propellers and radio equipment purchased with it.

4. Transactions subsequent to December 31, 1947

The company expects to start scheduled flight operations on or about February 1, 1948. During the month of January, 1948, additional preoperating expenses will be incurred and capitalized.

SUPPLEMENTAL STATEMENT

WISCONSIN CENTRAL AIRLINES, INC.

STATEMENT OF EXPERIMENTAL FLYING AND OTHER DEVELOPMENTAL EXPENSE - NET

May 15, 1944 to December 31, 1947

COST OF EXPERIMENTAL FLYING OPERATIONS

Flying operations	\$ 40,535.67
Ground operations	12,539.44
Flight equipment maintenance - direct	17,507.82
Ground equipment maintenance - direct	7,335.46
Equipment maintenance - indirect	6,090.11
Passenger service	1,597.72
Traffic and sales	9,331.34
Advertising and publicity	7,268.92
Depreciation	
Flight equipment	10,549.36
Ground property and equipment	1,284.96
Total	\$114,040.80
Less revenue derived from experimental flying operations	31,708.21

\$ 82,332.59

ADMINISTRATIVE OPERATIONS

Legal fees and expenses	15,955.68
Special professional and technical fees	6,623.46
Administrative and office salaries and wages	22,001.63
Travel	9,744.16
Telephone and telegraph	2,598.27
Office supplies and expenses	2,174.92
Taxes	
General	924.09
Pay roll	2,329.42
Directors' fees and expenses	4,836.97
Interest expense	1,189.22
Miscellaneous expenses	2,796.92
Total	71,174.74

\$153,507.33

LESS INCOME DERIVED FROM INCIDENTAL OPERATIONS AND NONOPERATING INCOME

Net profit of aircraft sales agency	187.77
Incidental service sales	7,156.38
Gain on sale of operated aircraft	2,562.51
Miscellaneous	3,053.33
	12,959.99

EXPERIMENTAL FLYING AND OTHER DEVELOPMENTAL EXPENSE - NET

\$140,547.34

