Annual reports are tools used to analyze a public company's quality and profitability. They are used primarily by investors to determine whether to buy, hold, or sell stocks (shares of ownership in a company). All U.S. public companies are required to file three reports: 1) **Annual Report to Stockholders**; 2) **10-K Report**; and 3) **Proxy Statement**.

1) **ANNUAL REPORT TO STOCKHOLDERS (ARS)** A glossy, full-color public relations booklet sent to all stockholders. It has information on past and projected activities, corporate officers, products, personnel needs, financial standing, and much more. Key sections include:

- **Letter to Shareholders, or President's Letter**: Overview of the past year's performance and future prospects. Good for determining a company's "mood" and "personality."
- **Auditor's Report**: An independent CPA's signed statement affirming that the financial data meets Generally Accepted Accounting Practices standards. Watch for qualifying phrases such as "except for" or "subject to" that may signal problem areas within a company.
- **Management Discussion**: Analysis of data affecting financial standing and performance for the past three years. It includes commentary on the meaning of different financial indicators and how they were derived. Probably the most important and useful section of the report.
- **Financial Statements**: The **balance sheet** is a snapshot of a company's financial condition, based on assets and liabilities, on the date it was published. **Profit and Loss, or Income Statements** are income, expenses, taxes, and retained earnings data for the past 3 years. Useful for comparing with past performance or with companies in similar industries. The **Shareholders’ Equity Statement** itemizes all stockholders' investments. The **Cash Flow Statement** is a record of net cash inflows and outflows. Shows earning power when compared to previous years. **Footnotes** are an important source of facts, such as a change of accounting method, pending law suits, unfavorable government regulations, and unusual income and expenses.

2) **10-K REPORT** Includes information on products, distribution, raw materials, market share, competition, research and development, patents, subsidiaries, major properties owned, joint ventures, and areas of vulnerability such as environmental safety or a reliance on a few major customers. Similar to the ARS, but use both for an in-depth company study.

3) **PROXY STATEMENT** Sent to all stockholders prior to each annual meeting. Outlines what will be brought up for vote at that meeting. Has hard to find information such as legal actions taken by or against a company, and acquisitions or mergers. Also contains information on board members, top executives, salaries, and major stockholders.

**WHERE TO FIND ANNUAL REPORTS**

- **HPU Libraries Databases**: To access HPU databases, go through the Libraries' tab in Pipeline; click on the “Databases” link, then either scroll down the alphabetized page to get to the databases listed below, or click on the first letter of the database’s name on the A to Z menu bar along the top and it will jump down the page to the section with that database. You may also use the “All Subjects” drop down menu to select.
Business to see all databases related to business. The following database provides annual reports:

**Mergent Online**
This database provides a great deal of company financial information, including current and past annual reports. Some company ratios are readily available; just click through the tabs within a company record to access different kinds of information.

● **Websites:** Go to [https://www.sec.gov/edgar/searchedgar/webusers.htm](https://www.sec.gov/edgar/searchedgar/webusers.htm) to find securities information from the SEC EDGAR database. It can be searched by name, industry, business, SIC code, area code, and zip code. Another place to look for annual reports is on the company website of publicly traded companies. It may be listed under the heading Investor Relations, or something similar.

**HOW TO CITE ANNUAL REPORTS**

**MLA Format Examples:**


**APA Format Examples:**


- **Print:** The Coca-Cola Company. (1990). Annual Report 1989. Atlanta, GA: Author. *Note: Author (company name) and publisher are usually identical so use the word "Author" as publisher.*


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