

---

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

---

**FORM 10-Q**

---

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **June 30, 2019**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **000-01227**

---

**Chicago Rivet & Machine Co.**

(Exact Name of Registrant as Specified in Its Charter)

---

**Illinois**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**901 Frontenac Road, Naperville, Illinois**  
(Address of Principal Executive Offices)

**36-0904920**  
(I.R.S. Employer  
Identification No.)

**60563**  
(Zip Code)

**(630) 357-8500**

Registrant's Telephone Number, Including Area Code

---

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically, every interactive data file required to be submitted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class                             | Trading Symbol(s) | Name of each exchange on which registered                      |
|---|-------------------|--|
| <b>Common Stock, par value \$1.00 per share</b> | <b>CVR</b>        | <b>NYSE American (Trading privileges only, not registered)</b> |

As of August 2, 2019, there were 966,132 shares of the registrant's common stock outstanding.

---

---

CHICAGO RIVET & MACHINE CO.

INDEX

|  | Page  |
|--|-------|
| PART I. FINANCIAL INFORMATION (Unaudited)  |       |
| <u>Condensed Consolidated Balance Sheets at June 30, 2019 and December 31, 2018</u>  | 2-3   |
| <u>Condensed Consolidated Statements of Income for the Three and Six Months Ended June 30, 2019 and 2018</u>               | 4     |
| <u>Condensed Consolidated Statements of Shareholders' Equity for the Three and Six Months Ended June 30, 2019 and 2018</u> | 5     |
| <u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2019 and 2018</u>                     | 6     |
| <u>Notes to the Condensed Consolidated Financial Statements</u>  | 7-11  |
| <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                               | 12-13 |
| <u>Controls and Procedures</u>   | 14    |
| <u>PART II. OTHER INFORMATION</u>  | 15    |

Item 1. Financial Statements.

CHICAGO RIVET & MACHINE CO.  
 Condensed Consolidated Balance Sheets  
 June 30, 2019 and December 31, 2018

|  | June 30,<br>2019<br>(Unaudited) | December 31,<br>2018       |
|--|---------------------------------|----------------------------|
| <b>Assets</b>                                      |                                 |                            |
| <b>Current Assets:</b>                             |                                 |                            |
| Cash and cash equivalents                          | \$ 908,075                      | \$ 706,873                 |
| Certificates of deposit                            | 5,578,000                       | 7,063,000                  |
| Accounts receivable - Less allowances of \$140,000 | 5,787,355                       | 5,529,307                  |
| Inventories, net                                   | 6,098,823                       | 6,100,391                  |
| Prepaid income taxes                               | 117,186                         | 150,686                    |
| Other current assets                               | 399,607                         | 438,222                    |
| <b>Total current assets</b>                        | <b><u>18,889,046</u></b>        | <b><u>19,988,479</u></b>   |
| <b>Property, Plant and Equipment:</b>              |                                 |                            |
| Land and improvements                              | 1,636,749                       | 1,632,299                  |
| Buildings and improvements                         | 8,327,006                       | 8,234,182                  |
| Production equipment and other                     | 36,455,435                      | 35,627,443                 |
|  | 46,419,190                      | 45,493,924                 |
| Less accumulated depreciation                      | <u>32,550,682</u>               | <u>32,235,778</u>          |
| <b>Net property, plant and equipment</b>           | <b><u>13,868,508</u></b>        | <b><u>13,258,146</u></b>   |
| <b>Total assets</b>                                | <b><u>\$32,757,554</u></b>      | <b><u>\$33,246,625</u></b> |

See Notes to the Condensed Consolidated Financial Statements

CHICAGO RIVET & MACHINE CO.  
Condensed Consolidated Balance Sheets  
June 30, 2019 and December 31, 2018

|  | <u>June 30,</u><br>2019 | <u>December 31,</u><br>2018 |
|--|-------------------------|-----------------------------|
|  | (Unaudited)             |                             |
| <b>Liabilities and Shareholders' Equity</b>  |                         |                             |
| <b>Current Liabilities:</b>  |                         |                             |
| Accounts payable   | \$ 803,921              | \$ 1,060,231                |
| Accrued wages and salaries   | 962,653                 | 701,434                     |
| Other accrued expenses   | 280,605                 | 475,973                     |
| Unearned revenue and customer deposits   | 150,079                 | 328,154                     |
| <b>Total current liabilities</b>   | <u>2,197,258</u>        | <u>2,565,792</u>            |
| Deferred income taxes  | 999,084                 | 921,084                     |
| <b>Total liabilities</b>   | <u>3,196,342</u>        | <u>3,486,876</u>            |
| <b>Commitments and contingencies (Note 3)</b>  |                         |                             |
| <b>Shareholders' Equity:</b>   |                         |                             |
| Preferred stock, no par value, 500,000 shares authorized: none outstanding                                       | —                       | —                           |
| Common stock, \$1.00 par value, 4,000,000 shares authorized: 1,138,096 shares issued; 966,132 shares outstanding | 1,138,096               | 1,138,096                   |
| Additional paid-in capital   | 447,134                 | 447,134                     |
| Retained earnings  | 31,898,080              | 32,096,617                  |
| Treasury stock, 171,964 shares at cost   | <u>(3,922,098)</u>      | <u>(3,922,098)</u>          |
| <b>Total shareholders' equity</b>  | <u>29,561,212</u>       | <u>29,759,749</u>           |
| <b>Total liabilities and shareholders' equity</b>  | <u>\$32,757,554</u>     | <u>\$33,246,625</u>         |

See Notes to the Condensed Consolidated Financial Statements

CHICAGO RIVET & MACHINE CO.  
Condensed Consolidated Statements of Income  
For the Three and Six Months Ended June 30, 2019 and 2018  
(Unaudited)

|                                     | Three Months Ended<br>June 30, |                   | Six Months Ended<br>June 30, |                     |
|-------------------------------------|--------------------------------|-------------------|------------------------------|---------------------|
|                                     | 2019                           | 2018              | 2019                         | 2018                |
| Net sales                           | \$8,875,451                    | \$9,792,784       | \$17,497,129                 | \$19,804,425        |
| Cost of goods sold                  | 7,327,481                      | 7,504,350         | 14,287,396                   | 15,172,986          |
| Gross profit                        | 1,547,970                      | 2,288,434         | 3,209,733                    | 4,631,439           |
| Selling and administrative expenses | 1,306,665                      | 1,411,969         | 2,649,361                    | 2,876,687           |
| Operating profit                    | 241,305                        | 876,465           | 560,372                      | 1,754,752           |
| Other income                        | 49,254                         | 37,627            | 98,029                       | 71,128              |
| Income before income taxes          | 290,559                        | 914,092           | 658,401                      | 1,825,880           |
| Provision for income taxes          | 61,000                         | 211,000           | 142,000                      | 415,000             |
| Net income                          | <u>\$ 229,559</u>              | <u>\$ 703,092</u> | <u>\$ 516,401</u>            | <u>\$ 1,410,880</u> |
| Per share data, basic and diluted:  |                                |                   |                              |                     |
| Net income per share                | <u>\$ 0.24</u>                 | <u>\$ 0.73</u>    | <u>\$ 0.54</u>               | <u>\$ 1.46</u>      |
| Average common shares outstanding   | <u>966,132</u>                 | <u>966,132</u>    | <u>966,132</u>               | <u>966,132</u>      |
| Cash dividends declared per share   | <u>\$ 0.22</u>                 | <u>\$ 0.21</u>    | <u>\$ 0.74</u>               | <u>\$ 0.72</u>      |

See Notes to the Condensed Consolidated Financial Statements

CHICAGO RIVET & MACHINE CO.  
Condensed Consolidated Statements of Shareholders' Equity  
For the Three and Six Months Ended June 30, 2019 and 2018  
(Unaudited)

|                                       | Preferred<br>Stock | Common Stock |             | Additional Paid-in<br>Capital | Retained Earnings | Treasury Stock, at Cost |               | Total        |
|---------------------------------------|--------------------|--------------|-------------|-------------------------------|-------------------|-------------------------|---------------|--------------|
|                                       | Shares             | Amount       |             |                               |                   | Shares                  | Amount        |              |
| Balance, December 31, 2018            | \$ —               | 966,132      | \$1,138,096 | \$ 447,134                    | \$ 32,096,617     | 171,964                 | \$(3,922,098) | \$29,759,749 |
| Net Income                            |                    |              |             |                               | \$ 286,842        |                         |               | \$ 286,842   |
| Dividends Declared (\$0.52 per share) |                    |              |             |                               | \$ (502,389)      |                         |               | \$ (502,389) |
| Balance, March 31, 2019               | \$ —               | 966,132      | \$1,138,096 | \$ 447,134                    | \$ 31,881,070     | 171,964                 | \$(3,922,098) | \$29,544,202 |
| Net Income                            |                    |              |             |                               | \$ 229,559        |                         |               | \$ 229,559   |
| Dividends Declared (\$0.22 per share) |                    |              |             |                               | \$ (212,549)      |                         |               | \$ (212,549) |
| Balance, June 30, 2019                | \$ —               | 966,132      | \$1,138,096 | \$ 447,134                    | \$ 31,898,080     | 171,964                 | \$(3,922,098) | \$29,561,212 |
| Balance, December 31, 2017            | \$ —               | 966,132      | \$1,138,096 | \$ 447,134                    | \$ 31,196,823     | 171,964                 | \$(3,922,098) | \$28,859,955 |
| Net Income                            |                    |              |             |                               | \$ 707,788        |                         |               | \$ 707,788   |
| Dividends Declared (\$0.51 per share) |                    |              |             |                               | \$ (492,727)      |                         |               | \$ (492,727) |
| Balance, March 31, 2018               | \$ —               | 966,132      | \$1,138,096 | \$ 447,134                    | \$ 31,411,884     | 171,964                 | \$(3,922,098) | \$29,075,016 |
| Net Income                            |                    |              |             |                               | \$ 703,092        |                         |               | \$ 703,092   |
| Dividends Declared (\$0.21 per share) |                    |              |             |                               | \$ (202,888)      |                         |               | \$ (202,888) |
| Balance, June 30, 2018                | \$ —               | 966,132      | \$1,138,096 | \$ 447,134                    | \$ 31,912,088     | 171,964                 | \$(3,922,098) | \$29,575,220 |

See Notes to the Condensed Consolidated Financial Statements

CHICAGO RIVET & MACHINE CO.  
Condensed Consolidated Statements of Cash Flows  
For the Six Months Ended June 30, 2019 and 2018  
(Unaudited)

|   | 2019              | 2018                |
|---|-------------------|---------------------|
| Cash flows from operating activities:   |                   |                     |
| Net income  | \$ 516,401        | \$ 1,410,880        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                   |                     |
| Depreciation  | 682,667           | 653,537             |
| Gain on disposal of equipment   | (5,000)           | (17,485)            |
| Deferred income taxes   | 78,000            | (27,000)            |
| Changes in operating assets and liabilities:                                      |                   |                     |
| Accounts receivable   | (258,048)         | (1,580,776)         |
| Inventories   | 1,568             | (922,121)           |
| Other current assets and prepaid income taxes                                     | 72,115            | 111,554             |
| Accounts payable  | (265,603)         | 779,782             |
| Accrued wages and salaries  | 261,219           | 246,972             |
| Other accrued expenses  | (195,368)         | 137,353             |
| Unearned revenue and customer deposits  | (178,075)         | (91,205)            |
| Net cash provided by operating activities   | <u>709,876</u>    | <u>701,491</u>      |
| Cash flows from investing activities:   |                   |                     |
| Capital expenditures  | (1,283,736)       | (635,718)           |
| Proceeds from the sale of equipment   | 5,000             | 17,485              |
| Proceeds from certificates of deposit   | 4,324,000         | 1,992,000           |
| Purchases of certificates of deposit  | (2,839,000)       | (1,245,000)         |
| Net cash provided by investing activities   | <u>206,264</u>    | <u>128,767</u>      |
| Cash flows from financing activities:   |                   |                     |
| Cash dividends paid   | (714,938)         | (695,615)           |
| Net cash used in financing activities   | <u>(714,938)</u>  | <u>(695,615)</u>    |
| Net increase in cash and cash equivalents   | 201,202           | 134,643             |
| Cash and cash equivalents at beginning of period                                  | 706,873           | 1,152,569           |
| Cash and cash equivalents at end of period  | <u>\$ 908,075</u> | <u>\$ 1,287,212</u> |
| Supplemental schedule of non-cash investing activities:                           |                   |                     |
| Capital expenditures in accounts payable  | \$ 9,293          | \$ —                |

See Notes to the Condensed Consolidated Financial Statements

CHICAGO RIVET & MACHINE CO.  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1. In the opinion of the Company, the accompanying unaudited interim financial statements contain all adjustments necessary to present fairly the financial position of the Company as of June 30, 2019 (unaudited) and December 31, 2018 (audited) and the results of operations and changes in cash flows for the indicated periods. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted from these unaudited financial statements in accordance with applicable rules. Please refer to the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The results of operations for the three and six-month period ending June 30, 2019 are not necessarily indicative of the results to be expected for the year.

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2016-02, "Leases (Topic 842)." The ASU increases transparency and comparability among entities by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The ASU requires lessees to recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The ASU is effective for annual reporting periods beginning after December 15, 2018 and interim periods within those annual periods. The Company adopted Topic 842 on January 1, 2019 using the modified retrospective method. Based on the Company's current lease agreements, adopting this ASU did not have a material impact on the Company's financial statements.

2. The Company extends credit on the basis of terms that are customary within our markets to various companies doing business primarily in the automotive industry. The Company has concentrations of credit risk primarily within the automotive industry and in the Midwestern United States.

3. The Company is, from time to time, involved in litigation, including environmental claims and contract disputes, in the normal course of business. While it is not possible at this time to establish the ultimate amount of liability with respect to contingent liabilities, including those related to legal proceedings, management is of the opinion that the aggregate amount of any such liabilities, for which provision has not been made, will not have a material adverse effect on the Company's financial position.

4. Revenue—The Company operates in the fastener industry and is in the business of manufacturing and selling rivets, cold-formed fasteners and parts, screw machine products, automatic rivet setting machines and parts and tools for such machines. Revenue is recognized when control of the promised goods or services is transferred to our customers, generally upon shipment of goods or completion of services, in an amount that reflects the consideration we expect to receive in exchange for those goods or services. For certain assembly equipment segment transactions, revenue is recognized based on progress toward completion of the performance obligation using a labor-based measure. Labor incurred and specific material costs are compared to milestone payments per sales contract. Based on our experience, this method most accurately reflects the transfer of goods under such contracts. During the second quarter of 2019, the Company realized \$219,700 related to such a contract and \$118,300 is the remaining performance obligation under that contract which the Company expects to recognize as revenue in the third quarter.

Sales taxes we may collect concurrent with revenue producing activities are excluded from revenue. Revenue is recognized net of certain sales adjustments to arrive at net sales as reported on the statement of income. These adjustments primarily relate to customer returns and allowances. The Company records a liability and reduction in sales for estimated product returns based upon historical experience. If we determine that our obligation under warranty claims is probable and subject to reasonable determination, an estimate of that liability is recorded as an offset against revenue at that time. As of June 30, 2019 and December 31, 2018 reserves for warranty claims were not material. Cash received by the Company prior to shipment is recorded as unearned revenue.

Shipping and handling fees billed to customers are recognized in net sales, and related costs as cost of sales, when incurred.

Sales commissions are expensed when incurred because the amortization period is less than one year. These costs are recorded within selling and administrative expenses in the statement of income.

The following table presents revenue by segment, further disaggregated by end-market:

|  | Fastener          | Assembly<br>Equipment | Consolidated      |
|--|-------------------|-----------------------|-------------------|
| <b>Three Months Ended June 30, 2019:</b> |                   |                       |                   |
| Automotive                               | 4,880,038         | 63,650                | 4,943,688         |
| Non-automotive                           | 2,936,666         | 995,097               | 3,931,763         |
| Total net sales                          | <u>7,816,704</u>  | <u>1,058,747</u>      | <u>8,875,451</u>  |
| <b>Three Months Ended June 30, 2018:</b> |                   |                       |                   |
| Automotive                               | 5,845,574         | 38,842                | 5,884,416         |
| Non-automotive                           | 3,188,701         | 719,667               | 3,908,368         |
| Total net sales                          | <u>9,034,275</u>  | <u>758,509</u>        | <u>9,792,784</u>  |
| <b>Six Months Ended June 30, 2019:</b>   |                   |                       |                   |
| Automotive                               | 9,598,254         | 105,415               | 9,703,669         |
| Non-automotive                           | 5,797,570         | 1,995,890             | 7,793,460         |
| Total net sales                          | <u>15,395,824</u> | <u>2,101,305</u>      | <u>17,497,129</u> |
| <b>Six Months Ended June 30, 2018:</b>   |                   |                       |                   |
| Automotive                               | 11,913,584        | 88,905                | 12,002,489        |
| Non-automotive                           | 6,045,790         | 1,756,146             | 7,801,936         |
| Total net sales                          | <u>17,959,374</u> | <u>1,845,051</u>      | <u>19,804,425</u> |

The following table presents revenue by segment, further disaggregated by location:

|  | Fastener          | Assembly<br>Equipment | Consolidated      |
|--|-------------------|-----------------------|-------------------|
| <b>Three Months Ended June 30, 2019:</b> |                   |                       |                   |
| United States                            | 6,612,996         | 951,679               | 7,564,675         |
| Foreign                                  | 1,203,708         | 107,068               | 1,310,776         |
| Total net sales                          | <u>7,816,704</u>  | <u>1,058,747</u>      | <u>8,875,451</u>  |
| <b>Three Months Ended June 30, 2018:</b> |                   |                       |                   |
| United States                            | 7,617,546         | 710,745               | 8,328,291         |
| Foreign                                  | 1,416,729         | 47,764                | 1,464,493         |
| Total net sales                          | <u>9,034,275</u>  | <u>758,509</u>        | <u>9,792,784</u>  |
| <b>Six Months Ended June 30, 2019:</b>   |                   |                       |                   |
| United States                            | 13,194,334        | 1,907,989             | 15,102,323        |
| Foreign                                  | 2,201,490         | 193,316               | 2,394,806         |
| Total net sales                          | <u>15,395,824</u> | <u>2,101,305</u>      | <u>17,497,129</u> |
| <b>Six Months Ended June 30, 2018:</b>   |                   |                       |                   |
| United States                            | 15,299,192        | 1,751,614             | 17,050,806        |
| Foreign                                  | 2,660,182         | 93,437                | 2,753,619         |
| Total net sales                          | <u>17,959,374</u> | <u>1,845,051</u>      | <u>19,804,425</u> |

5. The Company's effective tax rates were approximately 21.0% and 23.1% for the second quarter of 2019 and 2018, respectively, and 21.6% and 22.7% for the six months ended June 30, 2019 and 2018, respectively.

The Company's federal income tax returns for the 2015 through 2018 tax years are subject to examination by the Internal Revenue Service ("IRS"). While it may be possible that a reduction could occur with respect to the Company's unrecognized tax benefits as an outcome of an IRS examination, management does not anticipate any adjustments that would result in a material change to the results of operations or financial condition of the Company. No statutes have been extended on any of the Company's federal income tax filings. The statute of limitations on the Company's 2015 through 2018 federal income tax returns will expire on September 15, 2019 through 2022, respectively.

The Company's state income tax returns for the 2015 through 2018 tax years remain subject to examination by various state authorities with the latest closing period on October 31, 2022. The Company is not currently under examination by any state authority for income tax purposes and no statutes for state income tax filings have been extended.

6. Inventories are stated at the lower of cost or net realizable value, cost being determined by the first-in, first-out method. A summary of inventories is as follows:

|                    | June 30, 2019      | December 31, 2018   |
|--------------------|--------------------|---------------------|
| Raw material       | \$2,702,486        | \$ 2,798,918        |
| Work-in-process    | 1,873,733          | 1,878,977           |
| Finished goods     | <u>2,097,604</u>   | <u>2,001,496</u>    |
| Inventories, gross | 6,673,823          | 6,679,391           |
| Valuation reserves | <u>(575,000)</u>   | <u>(579,000)</u>    |
| Inventories, net   | <u>\$6,098,823</u> | <u>\$ 6,100,391</u> |

CHICAGO RIVET & MACHINE CO.  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

7. Segment Information—The Company operates in two business segments as determined by its products. The fastener segment includes rivets, cold-formed fasteners and parts and screw machine products. The assembly equipment segment includes automatic rivet setting machines and parts and tools for such machines. Information by segment is as follows:

|  | Fastener     | Assembly<br>Equipment | Other     | Consolidated        |
|--|--------------|-----------------------|-----------|---------------------|
| <b>Three Months Ended June 30, 2019:</b> |              |                       |           |                     |
| Net sales                                | \$ 7,816,704 | \$1,058,747           | \$ —      | \$ 8,875,451        |
| Depreciation                             | 305,082      | 31,453                | 9,743     | 346,278             |
| Segment operating profit                 | 487,305      | 315,802               | —         | 803,107             |
| Selling and administrative expenses      | —            | —                     | (548,052) | (548,052)           |
| Interest income                          | —            | —                     | 35,504    | 35,504              |
| Income before income taxes               |              |                       |           | <u>\$ 290,559</u>   |
| Capital expenditures                     | 284,573      | 102,324               | —         | 386,897             |
| Segment assets:                          |              |                       |           |                     |
| Accounts receivable, net                 | 5,426,139    | 361,216               | —         | 5,787,355           |
| Inventories, net                         | 4,996,608    | 1,102,215             | —         | 6,098,823           |
| Property, plant and equipment, net       | 11,164,067   | 1,745,444             | 958,997   | 13,868,508          |
| Other assets                             | —            | —                     | 7,002,868 | <u>7,002,868</u>    |
|  |              |                       |           | <u>\$32,757,554</u> |
| <b>Three Months Ended June 30, 2018:</b> |              |                       |           |                     |
| Net sales                                | \$ 9,034,275 | \$ 758,509            | \$ —      | \$ 9,792,784        |
| Depreciation                             | 292,378      | 27,298                | 7,341     | 327,017             |
| Segment operating profit                 | 1,229,717    | 249,376               | —         | 1,479,093           |
| Selling and administrative expenses      | —            | —                     | (591,640) | (591,640)           |
| Interest income                          | —            | —                     | 26,639    | 26,639              |
| Income before income taxes               |              |                       |           | <u>\$ 914,092</u>   |
| Capital expenditures                     | 281,692      | —                     | 127,599   | 409,291             |
| Segment assets:                          |              |                       |           |                     |
| Accounts receivable, net                 | 6,508,150    | 399,276               | —         | 6,907,426           |
| Inventories, net                         | 4,399,770    | 1,050,451             | —         | 5,450,221           |
| Property, plant and equipment, net       | 10,164,570   | 1,619,454             | 755,110   | 12,539,134          |
| Other assets                             | —            | —                     | 8,680,688 | <u>8,680,688</u>    |
|  |              |                       |           | <u>\$33,577,469</u> |

CHICAGO RIVET & MACHINE CO.  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

|  | Fastener     | Assembly<br>Equipment | Other       | Consolidated        |
|--|--------------|-----------------------|-------------|---------------------|
| <b>Six Months Ended June 30, 2019:</b> |              |                       |             |                     |
| Net sales                              | \$15,395,824 | \$2,101,305           | \$ —        | \$17,497,129        |
| Depreciation                           | 602,805      | 60,377                | 19,485      | 682,667             |
| Segment operating profit               | 1,076,200    | 651,876               | —           | 1,728,076           |
| Selling and administrative expenses    | —            | —                     | (1,141,454) | (1,141,454)         |
| Interest income                        | —            | —                     | 71,779      | 71,779              |
| Income before income taxes             |              |                       |             | <u>\$ 658,401</u>   |
| Capital expenditures                   | 1,040,680    | 226,324               | 26,025      | 1,293,029           |
| <b>Six Months Ended June 30, 2018:</b> |              |                       |             |                     |
| Net sales                              | \$17,959,374 | \$1,845,051           | \$ —        | \$19,804,425        |
| Depreciation                           | 584,259      | 54,596                | 14,682      | 653,537             |
| Segment operating profit               | 2,407,179    | 633,561               | —           | 3,040,740           |
| Selling and administrative expenses    | —            | —                     | (1,268,579) | (1,268,579)         |
| Interest income                        | —            | —                     | 53,719      | 53,719              |
| Income before income taxes             |              |                       |             | <u>\$ 1,825,880</u> |
| Capital expenditures                   | 465,919      | 31,495                | 138,304     | 635,718             |

## CHICAGO RIVET & MACHINE CO.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

#### Results of Operations

Net sales for the second quarter of 2019 were \$8,875,451 compared to \$9,792,784 in the second quarter of 2018, a decline of \$917,333, or 9.4%. For the first half of 2019, net sales totaled \$17,497,129 compared to \$19,804,425 in the first half of 2018, a decline of \$2,307,296, or 11.7%. The decline in net sales in the current year is primarily due to reduced demand for fastener segment parts, especially from automotive customers. Net income for the second quarter of 2019 was \$229,559, or \$0.24 per share, compared to \$703,092, or \$0.73 per share, in the second quarter of 2018. Net income for the first half of 2019 was \$516,401, or \$0.54 per share, compared to \$1,410,880, or \$1.46 per share, in the first half of 2018. Net income in the current year has been negatively impacted by the decline in sales as well as the increase in certain production costs.

Fastener segment revenues were \$7,816,704 in the second quarter of 2019 compared to \$9,034,275 reported in the second quarter of 2018, a decline of \$1,217,571, or 13.5%. For the first six months of 2019, fastener segment revenues were \$15,395,824 compared to \$17,959,374 in the first half of 2018, a decline of \$2,563,550, or 14.3%. The automotive sector is the primary market for our fastener segment products and demand from such customers has been particularly weak in the current year due to changes in consumer preferences and lower vehicle sales domestically and even more so abroad. Fastener segment sales to automotive customers declined \$965,536, or 16.5%, in the second quarter and \$2,315,330, or 19.4%, in the first half of 2019 compared to the prior year periods. Sales to non-automotive customers have declined a more modest 4.1% in the first half of the current year. Fastener segment gross margins were \$1,219,047 in the second quarter of 2019 compared to \$2,047,372 in the second quarter of 2018, a decline of \$828,325. For the first six months of 2019, gross margins for the fastener segment were \$2,544,233 compared to \$4,024,012 in the first half of 2018, a decline of \$1,479,779. In addition to the negative impact lower sales have had on gross margins, production costs in the first half of 2019 were higher than a year earlier. Steel is our primary raw material and on average, steel prices were approximately 12% higher in the first half of 2019 than a year earlier, primarily due to tariffs instituted in 2018. Labor costs have also risen more than expected due to the tightening of the labor market.

Assembly equipment segment revenues were \$1,058,747 in the second quarter of 2019 compared to \$758,509 in the second quarter of 2018, an increase of \$300,238, or 39.6%. For the first half of 2019, assembly equipment revenues were \$2,101,305 compared to \$1,845,051 for the first half of 2018, an increase of \$256,254, or 13.9%. The large increase in sales during the second quarter and the year to date increase was primarily due to the timing of certain high dollar value machine orders in the current year. Higher revenue was the primary cause of the increase in assembly equipment segment gross margins to \$328,923 in the second quarter of 2019 from \$241,062 in the second quarter of 2018. For the first half of the year, gross margins were \$665,500 compared to \$607,427 in 2018, an increase of \$58,073.

Selling and administrative expenses for the second quarter of 2019 were \$1,306,665, a decline of \$105,304, or 7.5%, compared with the year earlier quarter total of \$1,411,969. The decline was primarily due to a \$80,000 reduction in profit sharing expense related to lower operating profit in the current year quarter and a \$50,000 reduction in sales commissions due to lower sales. For the first six months of 2019, selling and administrative expenses were \$2,649,361 compared to \$2,876,687 in 2018, a decline of \$227,326, or 7.9%. As in the second quarter, expenditures for the first half of 2019 were lower primarily due to a reduction in profit sharing and commission expenses of \$142,000 and \$84,000, respectively. Selling and administrative expenses as a percentage of net sales for the first half of 2019 were 15.1% compared to 14.5% in the first half of 2018.

#### Other Income

Other income in the second quarter of 2019 was \$49,254, compared to \$37,627 in the second quarter of 2018. Other income for the first six months of 2019 was \$98,029, compared to \$71,128 in the first six months of 2018. The increases were primarily related to greater interest income on certificates of deposit due to higher interest rates in the current year.

#### Income Tax Expense

The Company's effective tax rates were approximately 21.0% and 23.1% for the second quarter of 2019 and 2018, respectively, and 21.6% and 22.7% for the six months ended June 30, 2019 and 2018, respectively.

### Liquidity and Capital Resources

Working capital at June 30, 2019 was \$16.7 million, a decrease of \$0.7 million from the beginning of the year. Contributing to that decline were capital expenditures during the first six months of \$1.3 million, which primarily consisted of equipment used in production activities, and dividends paid of \$0.7 million. Overall, cash, cash equivalents and certificates of deposit balances have declined \$1.3 million since the beginning of the year. Partially offsetting that decline was a \$0.3 million increase in accounts receivable due to greater sales activity during the quarter compared to the seasonally lower fourth quarter of 2018. The net result of these changes and other cash flow activity was to leave cash, cash equivalents and certificates of deposit at \$6.5 million as of June 30, 2019 compared to \$7.8 million at the beginning of the year. Management believes that current cash, cash equivalents and operating cash flow will provide adequate working capital for the next twelve months.

### Results of Operations Summary

Overall results for the second quarter were disappointing, primarily due to the softening demand in the fastener segment, which followed the global downturn in automotive activity during the first six months of the year. Additionally, increases in steel prices and other materials over the past year have negatively impacted our fastener segment gross margins and remain a concern as ongoing trade disputes persist. Since material price increases can be difficult to mitigate, we will emphasize cost controls in other areas and strive for greater operating efficiencies in an effort to improve operating results while pursuing new sales opportunities. In contrast to the fastener segment, our assembly equipment segment demand and machine order backlog remain relatively stable. Given the challenges we currently face, we will continue to make adjustments to our activities based on changing market conditions, while maintaining an emphasis on quality and reliability of service that our customers demand.

### Forward-Looking Statements

*This discussion contains certain “forward-looking statements” which are inherently subject to risks and uncertainties that may cause actual events to differ materially from those discussed herein. Factors which may cause such differences in events include, those disclosed under “Risk Factors” in our Annual Report on Form 10-K and in the other filings we make with the United States Securities and Exchange Commission. These factors, include among other things: conditions in the domestic automotive industry, upon which we rely for sales revenue, the intense competition in our markets, the concentration of our sales with major customers, risks related to export sales, the price and availability of raw materials, labor relations issues, losses related to product liability, warranty and recall claims, costs relating to environmental laws and regulations, information systems disruptions, the loss of the services of our key employees and difficulties in achieving cost savings. Many of these factors are beyond our ability to control or predict. Readers are cautioned not to place undue reliance on these forward-looking statements. We undertake no obligation to publish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.*

CHICAGO RIVET & MACHINE CO.

Item 4. Controls and Procedures.

(a) Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Chief Executive Officer and President, Chief Operating Officer and Treasurer (the Company's principal financial officer), has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and President, Chief Operating Officer and Treasurer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

(b) Internal Control Over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 6. Exhibits

31 Rule 13a-14(a) or 15d-14(a) Certifications

31.1 [Certification Pursuant to Rule 13a-14\(a\) or 15d-14\(a\), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

31.2 [Certification Pursuant to Rule 13a-14\(a\) or 15d-14\(a\), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

32 Section 1350 Certifications

32.1 [Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

32.2 [Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

101 Interactive Data File. Includes the following financial and related information from Chicago Rivet & Machine Co.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 formatted in Extensible Business Reporting Language (XBRL): (1) Condensed Consolidated Balance Sheets, (2) Condensed Consolidated Statements of Income, (3) Condensed Consolidated Statements of Shareholders' Equity, (4) Condensed Consolidated Statements of Cash Flows, and (5) Notes to Condensed Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHICAGO RIVET & MACHINE CO.  
(Registrant)

Date: August 8, 2019

/s/ John A. Morrissey  
John A. Morrissey  
Chairman of the Board of Directors  
and Chief Executive Officer  
(Principal Executive Officer)

Date: August 8, 2019

/s/ Michael J. Bourg  
Michael J. Bourg  
President, Chief Operating  
Officer and Treasurer  
(Principal Financial Officer)

EXHIBIT 31.1

I, John A. Morrissey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chicago Rivet & Machine Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2019

/s/ John A. Morrissey  
John A. Morrissey  
Chief Executive Officer  
(Principal Executive Officer)

EXHIBIT 31.2

I, Michael J. Bourg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chicago Rivet & Machine Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2019

/s/ Michael J. Bourg

Michael J. Bourg  
President, Chief Operating Officer  
and Treasurer (Principal Financial Officer)

**Certification Pursuant to 18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Chicago Rivet & Machine Co. (the "Company") for the quarterly period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John A. Morrissey, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John A. Morrissey

Name: John A. Morrissey

Title: Chief Executive Officer

(Principal Executive Officer)

Date: August 8, 2019

**Certification Pursuant to 18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Chicago Rivet & Machine Co. (the "Company") for the quarterly period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Bourg, as President, Chief Operating Officer and Treasurer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael J. Bourg

Name: Michael J. Bourg

Title: President, Chief Operating Officer and Treasurer  
(Principal Financial Officer)

Date: August 8, 2019