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, 2026

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	36-0904920
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
27755 Diehl Road, Suite 200, Warrenville, Illinois	**60555**
(Address of Principal Executive Offices)	(Zip Code)

(630) 357-8500
Registrant's Telephone Number, Including Area Code

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

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

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 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.:

Large accelerated filer ☐	Accelerated filer ☐
Non-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 ☒

As of August 5, 2026 there were 966,132 shares of the registrant's common stock outstanding.

CHICAGO RIVET & MACHINE CO.

INDEX

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CHICAGO RIVET & MACHINE CO.
Condensed Consolidated Balance Sheets

	June 30, 2026 (unaudited)	December 31, 2025
Assets		
Current assets:		
Cash and cash equivalents	$ 770,752	$ 1,718,237
Accounts receivable - less allowances of $128,188 and $155,000	5,159,423	3,576,966
Contract assets	—	55,497
Inventories, net	6,337,028	6,170,980
Assets held for sale	179,254	179,254
Income taxes receivable	45,476	43,949
Other current assets	486,123	498,440
Total current assets	12,978,056	12,243,323
Property, plant and equipment, net	9,235,938	9,641,440
Deferred income taxes, net	1,001,242	1,001,242
Operating lease right-of-use asset, net	338,989	371,464
Deposits with vendors	43,970	43,970
Total assets	$ 23,598,195	$ 23,301,439
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 1,728,536	$ 742,292
Accrued wages and salaries	604,734	491,913
Other accrued liabilities	240,681	248,431
Unearned revenue and customer deposits	103,023	262,950
Current portion of operating lease liability	105,246	103,420
Current portion of line of credit	1,500,000	500,000
Total current liabilities	4,282,220	2,349,006
Operating lease liability - noncurrent	281,612	317,543
Deferred income taxes, net	1,141,588	1,141,588
Other long-term liabilities	440,000	660,000
Total liabilities	6,145,420	4,468,137
Commitments and contingencies (Note 3)		
Shareholders' Equity:		
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 as of June 30, 2026 and December 31, 2025	1,138,096	1,138,096
Additional paid-in capital	447,134	447,134
Retained earnings	19,789,643	21,170,170
Treasury stock, 171,964 shares at cost	(3,922,098)	(3,922,098)
Total shareholders' equity	17,452,775	18,833,302
Total liabilities and shareholders' equity	$ 23,598,195	$ 23,301,439

See Notes to Condensed Consolidated Financial Statements

CHICAGO RIVET & MACHINE CO.
Condensed Consolidated Statements of Operations
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Net sales	$ 7,236,625	$ 7,298,077	$ 14,088,141	$ 14,543,712
Cost of goods sold	6,673,313	6,323,015	12,566,371	11,910,909
Gross profit	563,312	975,062	1,521,770	2,632,803
Selling and administrative expenses	1,597,023	1,392,493	2,937,073	2,980,060
Gain on sale of property	—	—	—	(339,520)
Operating loss	(1,033,711)	(417,431)	(1,415,303)	(7,737)
Other income	62,387	2,383	64,321	14,070
(Loss) income before income taxes	(971,324)	(415,048)	(1,350,982)	6,333
Provision (benefit) for income taxes	18,204	(20,068)	561	291
Net (loss) income	$ (989,528)	$ (394,980)	$ (1,351,543)	$ 6,042
.				
Net (loss) income per common share:				
Basic	$ (1.02)	$ (0.41)	$ (1.40)	$ 0.01
Diluted	$ (1.02)	$ (0.41)	$ (1.40)	$ 0.01
.				
Weighted average common shares outstanding:				
Basic	966,132	966,132	966,132	966,132
Diluted	966,132	966,132	966,132	966,132
.				
Cash dividends declared per share	$ —	$ 0.03	$ 0.03	$ 0.06

See Notes to Condensed Consolidated Financial Statements

CHICAGO RIVET & MACHINE CO.
Condensed Consolidated Statements of Shareholders' Equity
(unaudited)

		Common Stock				Treasury Stock, At Cost		
	Preferred Stock Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Shares	Amount	Total Shareholders' Equity
Balance, December 31, 2025	$ -	966,132	$ 1,138,096	$ 447,134	$ 21,170,170	171,964	$ (3,922,098)	$ 18,833,302
Net loss					(362,015)			(362,015)
Dividends declared ($0.03 per share)					(28,984)			(28,984)
Balance, March 31, 2026	$ -	966,132	$ 1,138,096	$ 447,134	$ 20,779,171	171,964	$ (3,922,098)	$ 18,442,303
Net loss					(989,528)			(989,528)
Balance, June 30, 2026	$ -	966,132	$ 1,138,096	$ 447,134	$ 19,789,643	171,964	$ (3,922,098)	$ 17,452,775
Balance, December 31, 2024	$ -	966,132	$ 1,138,096	$ 447,134	$ 22,369,320	171,964	$ (3,922,098)	$ 20,032,452
Net income					401,022			401,022
Dividends declared ($0.03 per share)					(28,984)			(28,984)
Balance, March 31, 2025	$ -	966,132	$ 1,138,096	$ 447,134	$ 22,741,358	171,964	$ (3,922,098)	$ 20,404,490
Net loss					(394,980)			(394,980)
Dividends declared ($0.03 per share)					(28,984)			(28,984)
Balance, June 30, 2025	$ -	966,132	$ 1,138,096	$ 447,134	$ 22,317,394	171,964	$ (3,922,098)	$ 19,980,526

See Notes to Condensed Consolidated Financial Statements.

CHICAGO RIVET & MACHINE CO.
Condensed Consolidated Statements of Cash Flows
(unaudited)

	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Cash flows from operating activities:		
Net (loss) income	$ (1,351,543)	$ 6,042
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation	583,224	621,765
Non-cash lease expense	(1,630)	25,325
Gain on disposal of assets, net	(16,568)	(339,520)
Provision for credit losses	(26,812)	(58,798)
Changes in operating assets and liabilities:		
Accounts receivable	(1,555,645)	(1,687,147)
Contract assets	55,497	28,904
Inventories, net	(166,048)	55,960
Other current assets	10,790	(27,966)
Accounts payable	986,244	(386,017)
Accrued wages and salaries	112,821	103,456
Other accrued liabilities	(7,750)	(28,195)
Unearned revenue and customer deposits	(159,927)	(86,119)
Other long-term liabilities	(220,000)	(220,049)
Net cash used in operating activities	(1,757,347)	(1,992,359)
.		
Cash flows from investing activities:		
Capital expenditures	(189,154)	(93,703)
Proceeds from the sale of assets	28,000	687,905
Proceeds from short-term investments	—	247,276
Net cash (used in) provided by investing activities	(161,154)	841,478
.		
Cash flows from financing activities:		
Proceeds from debt	1,000,000	500,000
Cash dividends paid	(28,984)	(57,968)
Net cash provided by financing activities	971,016	442,032
.		
Net decrease in cash and cash equivalents	(947,485)	(708,849)
Cash and cash equivalents at beginning of period	1,718,237	1,922,679
Cash and cash equivalents at end of period	$ 770,752	$ 1,213,830
Supplemental cash flows information:		
Cash paid for interest	$ 26,299	$ 7,201
Cash paid for income taxes, net of refunds received	$ 2,087	$ 21,855
Non-cash investing and financing activities:		
Operating lease right-of-use asset obtained in exchange for operating lease liability	$ —	$ 424,188

See Notes to Condensed Consolidated Financial Statements

Note 1. Significant accounting policies

Basis of presentation. In the opinion of management, the accompanying unaudited Condensed Consolidated Financial Statements for the interim periods presented contain all adjustments necessary to present fairly the financial position of Chicago Rivet & Machine Co. (the “Company”) as of June 30, 2026 (unaudited) and December 31, 2025, 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 ("GAAP") have been condensed or omitted from these unaudited financial statements in accordance with applicable rules. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

Principles of Consolidation and Presentation. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, H & L Tool Company, Inc. (“H & L Tool”). All significant intercompany accounts and transactions have been eliminated. Certain prior period data, has been reclassified in the Consolidated Financial Statements and accompanying notes to conform to the current period presentation.

Use of estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 may differ from those estimates. The results of operations for the three and six months ended June 30, 2026 are not necessarily indicative of the results to be expected for the year.

Assets held-for-sale. The Company classifies assets as held-for-sale if all held-for-sale criteria are met pursuant to ASC 360-10, Property, Plant and Equipment. Criteria include management commitment to sell the disposal group in its present condition and the sale being deemed probable of being completed within one year. Assets classified as held for sale are not depreciated and are measured at the lower of their carrying amount or fair value less cost to sell. The Company assesses the fair value of a disposal group, less any costs to sell, each reporting period it remains classified as held-for-sale and reports any subsequent changes as an adjustment to the carrying value of the disposal group, as long as the new carrying value does not exceed the initial carrying value of the disposal group.

Leases. The Company leases certain office space for its corporate headquarters. The Company determines if an arrangement contains a lease at the inception of a contract. The lease classification is determined at the commencement date. For identified operating leases, such as the corporate headquarters, the Company recognizes a right-of-use (“ROU”) asset and a lease liability on the balance sheet. The lease liability is measured at the present value of future lease payments over the lease term, using the Company's incremental borrowing rate when the implicit rate is not readily determinable. The ROU asset is recognized at the lease liability amount, adjusted for any indirect costs or rent prepayments, and reduced by any lease incentives and deferred lease payments. Lease expense is recognized on a straight-line basis over the term of the lease and included within selling and administrative expenses.

New accounting pronouncements.

Recently adopted. In July 2025, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2025-05, Financial Instruments - Credit Losses (Topic 326): Accounts Receivable and Contract Assets, to clarify the application of the current expected credit loss (“CECL”) model to trade accounts receivable and contract assets arising from revenue transactions. The amendments are intended to improve consistency and operability in measuring expected credit losses, including guidance on the use of historical loss information, current conditions, and reasonable and supportable forecasts. The new guidance is effective for annual periods beginning after December 15, 2025 and interim reporting periods within those annual reporting periods. The Company adopted this ASU with no impact on our consolidated financial statements.

Not yet adopted. In November 2024, the FASB issued ASU No. 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses, which requires disclosure in the notes to the financial statements of specified information about certain costs and expenses. In January 2025, the FASB issued ASU 2025-01, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40), which amends the effective date of ASU 2024-03 to clarify that all public business entities are required to adopt the guidance in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption of ASU 2024-03 is permitted. ASU 2024-03 should be applied either prospectively to financial statements issued for reporting periods after the effective date or retrospectively to any or all prior periods presented in the financial statements. The Company is currently evaluating the new guidance to determine the impact it may have on the consolidated financial statements and related disclosures, but expects only additional disclosures upon adoption.

Note 2. Credit risk

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 a concentration of credit risk primarily within the automotive industry and in the Midwestern United States. The Company has established an allowance for accounts that may become uncollectible in the future. This estimated allowance is based primarily on management's evaluation of the financial condition of the customer and historical experience. The Company monitors its accounts receivable and charges to expense an amount equal to its estimate of potential credit losses. The Company considers a number of factors in determining its estimates, including the length of time its trade accounts receivable are past due, the Company's previous loss history and the customer's current ability to pay its obligation. The Company also considers current economic conditions, the economic outlook and industry-specific factors in its evaluation. Accounts receivable balances are charged off against the allowance when it is determined that the receivable will not be recovered.

Note 3. Commitments and contingencies

The Company is, from time to time, involved in litigation, including environmental claims, 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, liquidity, results of operations or cash flows.

The Company recognizes a provision if it is probable that an outflow of cash or other economic resources that can be reliably measured will be required to settle the provision. In determining the likelihood and timing of potential cash outflows, management needs to make estimates, the assessment of which is based in part on internal and external financial and legal guidance and other related factors. For contingencies, the Company is required to exercise significant judgment to determine whether the risk of loss is possible but not probable. Contingencies involve inherent uncertainties including, but not limited to, negotiations between affected parties, among other factors, and the amount of actual loss may be significantly more or less than what was provided for.

As previously disclosed, the Company was notified by one of its customers that certain fasteners manufactured by the Company’s wholly-owned subsidiary, H&L Tool, may not have conformed to customer specifications. These fasteners become part of an assembly that is used in the braking system of certain vehicles manufactured by our customer’s OEM customer.

Since that time, the Company engaged in discussions with its customer to quantify costs and determine responsibility for such costs. Based on those discussions, on December 16, 2024, an agreement was reached with our customer to resolve the matter. Under the terms of the agreement, and in exchange for a full release of any further potential liability, the Company agreed to pay an aggregate of $1,100,000 in substantially equal installments over a five (5) year period, with the final payment due by January 31, 2029.

At June 30, 2026, the Company's remaining accrued balance was $220,000 recorded in Other Accrued Liabilities and 440,000 recorded in Other Long-Term Liabilities within the Condensed Consolidated Balance Sheets. The first installment of $177,000 was paid in January 2025 and the second installment of $220,000 was paid in January 2026. The remainder of approximately $43,000 was debited by the customer in 2024.

Note 4. Revenue

The Company operates in the fastener industry and is in the business of producing 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 2026, the Company realized $315,303 related to such contracts and has a remaining performance obligation of $34,894 which is expected to be recognized during the third quarter of 2026. At June 30, 2026, there were no contract assets relating to these contracts.

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 operations. These adjustments primarily relate to customer returns and allowances, which vary over time. 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, 2026 and December 31, 2025 accrued liabilities for warranty claims were $660,000 and $880,000, respectively. Cash received by the Company prior to transfer of control 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 Condensed Consolidated Statements of Operations.

Note 5. Income taxes

The Company’s effective tax rates were zero and 4.6% for the six months ended June 30, 2026 and 2025, respectively.

The Company’s federal income tax returns for the 2022 through 2025 tax years are subject to examination by the Internal Revenue Service (“IRS”). Management does not anticipate any adjustments that would result in a material change to the results of operations or financial condition of the Company as a result of any unrecognized tax benefits. No statutes of limitation have been extended on any of the Company’s federal income tax filings. The statute of limitations on the Company’s 2022 through 2025 federal income tax returns were set to expire on October 15, 2026 through 2029, respectively.

The Company’s state income tax returns for the 2022 through 2025 tax years remain subject to examination by various state authorities with the latest closing period on October 31, 2029. The Company is not currently under examination by any state authority for income tax purposes and no statutes of limitation for state income tax filings have been extended.

Our income tax expense, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits reflect management’s best estimate of current and future taxes to be paid. Significant judgments and estimates are required in the determination of the consolidated income tax expense. Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. In evaluating our ability to recover our deferred tax assets in the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, we begin with historical results and incorporate assumptions about the amount of future state and federal pretax operating income adjusted for items that do not have tax consequences. The assumptions about future taxable income require the use of significant judgment and are consistent with the plans and estimates we are using to manage the underlying businesses.

A valuation allowance is established when necessary to reduce deferred income tax assets to the amounts expected to be realized. Based upon the analysis performed as of June 30, 2026, management believes that it is more likely than not that the benefit from net operating loss ("NOL") carryforwards and other deferred tax assets will not be realized. Accordingly, management concluded to record a valuation allowance of ($2,206,619) on the deferred tax assets and recognized no deferred tax expense in the six months ended June 30, 2026. A valuation allowance was recorded as of December 31, 2025 for ($1,910,461). As of December 31, 2025, we have federal income tax NOL carryforwards of $10,305,677 and state NOL carryforwards were $3,408,759. However, an Internal Revenue Code Section 382 analysis has not been performed to determine availability of NOL to offset future taxable income, and the utilization of NOL may be limited under the Internal Revenue Code Section 382 as a result of changes in ownership of the Company's stock over the loss periods and prior to utilization of the carryforwards.

On July 4, 2025, the U.S. government enacted The One Big Beautiful Bill Act of 2025, (known as the "One Big Beautiful Bill Act" or "OBBBA") which makes permanent many of the tax provisions enacted in 2017 as part of the Tax Cuts and Jobs Act that were set to expire at the end of 2025. In addition, the OBBBA makes changes to certain U.S. corporate tax provisions. The most notable change for the Company will be the reintroduction of 100% bonus depreciation, whereby the Company can immediately deduct 100% of eligible fixed asset purchases for tax purposes in year one. The Company is currently evaluating the impact of the new legislation but does not expect it to have a material impact on the results of operations.

Note 6. Balance sheet details

Inventories. Inventories are stated on a standard cost basis adjusted to approximate lower of cost or net realizable value, cost being determined by the first‑in, first‑out method. The value of inventories is reduced for estimated excess and obsolete inventories based on a review of on-hand inventories compared to historical and estimated future sales and usage. A summary of inventories at the dates indicated is as follows:

	June 30, 2026	December 31, 2025
Raw material	$ 2,295,485	$ 2,257,798
Work-in-process	1,847,320	1,587,646
Finished goods	2,608,164	2,739,477
Inventories, gross	6,750,969	6,584,921
Valuation allowance	(413,941)	(413,941)
Inventories, net	$ 6,337,028	$ 6,170,980

Other Accrued Liabilities

	June 30, 2026	December 31, 2025
Customer settlement - current	$ 220,000	$ 220,000
Other	20,681	28,431
Total	$ 240,681	$ 248,431

Note 7. Leases

On November 30, 2024, the Company entered into a lease agreement with Juneau-Bell, LLC for new office space located at 27755 Diehl Road, Suite 200, Warrenville, IL 60555, which constitutes the Company's current headquarters. The lease commencement date was March 1, 2025. A security deposit of $43,970 and the first month’s base rent of $8,365 were paid at signing. These amounts were recorded in Deposits with Vendors and Other Current Assets, respectively, in the Consolidated Balance Sheet at December 31, 2025. The lease term is 66 months with one option to renew for an additional 60 months period. The Company classified the agreement as an operating lease under ASC 842 Leases. On the commencement date of March 1, 2025, the Company recognized an ROU asset of $424,188 and a corresponding long-term lease liability of $415,824.

In addition to base rent, the Company is responsible for its proportionate share of common area maintenance (“CAM”) charges and other operating costs associated with the leased premises. These amounts are considered variable lease payments, based on actual costs incurred by the landlord and are not included in the measurement of the lease liability. The Company recorded variable lease expense of $11,068 and $20,891 in the three and six months ended June 30, 2026 within Selling and administrative expenses in the Condensed Consolidated Statements of Operations. The Company did not record variable lease expense in the three and six months ended June 30, 2025 due to six months abatement.

As of June 30, 2026, the expected annual minimum lease payments of the Company's operating lease liability were as follows:

Fiscal year	Operating Lease
2026 (July - December)	$ 52,015
2027	107,071
2028	110,721
2029	114,371
2030	78,478
Thereafter	—
Total undiscounted minimum lease payments	462,656
Less: Present value discount	(75,798)
Lease liability	$ 386,858

Discount rate - operating lease	8.5%
.	
Weighted average remaining lease term	50 months

	Lease cost
Lease cost for the three months ended June 30, 2026	$ 24,887
Lease cost for the six months ended June 30, 2026	$ 49,774

Supplemental cash flows information:	June 30, 2026
Cash paid for amounts included in the measurement of lease liability	
Operating cash flows for operating lease	$ 51,406

The Company has elected the short-term lease exemption for leases with an initial term of twelve months or less. Under this election, the Company recognized rent expense on a straight-line basis over the lease term within the Condensed Consolidated Statements of Operations. This exemption applied to the month-to-month lease agreement for the Company's former headquarters located in Naperville, Illinois. The lease termination date was April 30, 2025. The Company recorded rent expense related to this lease of $9,400 and $37,600 in the three and six months ended June 30, 2025.

Note 8. Segment information

The Company operates in the United States in two business segments as determined by its products. The fastener segment is comprised of H & L Tool and the parent company's fastener operations, which 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.

The Company determined that its business segments also represent its reportable segments. The reportable segments identified above are the business activities of the Company for which discrete financial information is available and for which operating results are regularly reviewed by the Company's chief operating decision maker ("CODM") to assess operating performance and allocate resources. The CODM is the Company's Chief Executive Officer, Mr. Gregory D. Rizzo. The Company's CODM evaluates segment performance based on gross profit, segment operating income (loss) less depreciation, and capital expenditures. The information provided to the Company's CODM excludes for purposes of making decisions and assessing segment performance other assets or other income information. Information by segment is as follows:

	Fastener	Assembly Equipment	Other	Consolidated
Three Months Ended June 30, 2026				
Net sales	$ 6,253,416	$ 987,561		$ 7,240,977
Add: intercompany sales adjustment	(4,352)	-		(4,352)
Total sales to external customers	6,249,064	987,561		7,236,625
Cost of goods sold	6,013,463	659,850		6,673,313
Segment gross profit	235,601	327,711		563,312
Selling and engineering expenses	92,649	27,272	247,715	367,636
Administrative expenses	460,139	1,749	767,499	1,229,387
Operating income (loss)	(317,187)	298,690	(1,015,214)	(1,033,711)
Other income	61,197	—	1,190	62,387
Income (loss) before income taxes	$ (255,990)	$ 298,690	$ (1,014,024)	$ (971,324)
.				
Depreciation	$ 267,817	$ 24,266	$ -	$ 292,083
Capital expenditures	$ 96,182	$ -	$ -	$ 96,182
Six Months Ended June 30, 2026				
Net sales	$ 12,052,033	$ 2,040,460		$ 14,092,493
Less: intercompany sales	(4,352)	-		(4,352)
Total sales to external customers	12,047,681	2,040,460		14,088,141
Cost of goods sold	11,266,801	1,299,570		12,566,371
Segment gross profit	780,880	740,890		1,521,770
Selling and engineering expenses	151,630	53,831	461,897	667,358
Administrative expenses	922,034	2,869	1,344,812	2,269,715
Operating income (loss)	(292,784)	684,190	(1,806,709)	(1,415,303)
Other income (1)	61,232	—	3,089	64,321
Income (loss) before income taxes	$ (231,552)	$ 684,190	$ (1,803,620)	$ (1,350,982)
Depreciation	$ 534,694	$ 48,530	$ -	$ 583,224
Capital expenditures	$ 189,154	$ -	$ -	$ 189,154
Segment assets:				
Accounts receivable, net	$ 4,567,149	$ 592,274		$ 5,159,423
Inventories, net	4,449,909	1,887,119		6,337,028
Assets held for sale	179,254	—		179,254
Property, plant and equipment, net	8,011,681	1,224,257		9,235,938
Other assets			2,686,552	2,686,552
Total assets				$ 23,598,195

	Fastener	Assembly Equipment	Other	Consolidated
Three Months Ended June 30, 2025				
Net sales	$ 6,412,298	$ 900,862	$ —	$ 7,313,160
Less: intercompany sales	(15,083)	-	-	(15,083)
Total sales to external customers	6,397,215	900,862	-	7,298,077
Cost of goods sold	5,764,491	558,524	-	6,323,015
Segment gross profit	632,724	342,338	-	975,062
Selling and engineering expenses	60,636	16,001	181,330	257,967
Administrative expenses	454,759	3,257	676,510	1,134,526
Operating income (loss)	117,329	323,080	(857,840)	(417,431)
Other income	-	-	2,383	2,383
Income (loss) before income taxes	$ 117,329	$ 323,080	$ (855,457)	$ (415,048)
Depreciation	$ 277,108	$ 27,429	$ -	$ 304,537
Capital expenditures	$ 51,020	$ -	$ -	$ 51,020
Six Months Ended June 30, 2025				
Net sales	$ 12,607,849	$ 1,987,526	$ —	$ 14,595,375
Less: intercompany sales	(51,663)	-	-	(51,663)
Total sales to external customers	12,556,186	1,987,526	-	14,543,712
Cost of goods sold	10,905,358	1,005,550	-	11,910,909
Segment gross profit	1,650,828	981,975	-	2,632,803
Selling and engineering expenses	144,832	16,001	371,064	531,898
Administrative expenses	940,196	11,046	1,496,921	2,448,162
Gain on sale of property (1)	-	(339,520)	-	(339,520)
Operating income (loss)	565,800	1,294,448	(1,867,985)	(7,737)
Other income	-	-	14,070	14,070
Income (loss) before income taxes	$ 565,800	$ 1,294,448	$ (1,853,915)	$ 6,333
Depreciation	$ 566,907	$ 54,858	$ -	$ 621,765
Capital expenditures	$ 93,703	$ -	$ -	$ 93,703
Segment Assets:				
Accounts receivable, net	$ 4,087,168	$ 753,688	$ -	$ 4,840,856
Inventories, net	4,868,858	1,571,352	-	6,440,210
Property, plant and equipment, net	8,982,835	1,224,258	-	10,207,093
Other assets	-	19,907	2,132,266	2,152,173
Total assets				$ 23,640,332

(1) Includes a one-time gain of $339,520 in the Assembly Equipment segment, from the sale of the Albia manufacturing facility in February 2025.

The Company does not allocate certain selling and administrative expenses for internal reporting, thus, no allocation was made for these expenses for segment disclosure purposes. Other income represents interest on securities. Segment assets reported internally are limited to accounts receivable, contract assets, inventory and long-lived assets. Certain long-lived assets of one plant location are allocated between the two segments based on estimated plant utilization, as this plant serves both fastener and assembly equipment activities. Other assets are not allocated to segments internally and to do so would be impracticable.

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

	Fastener	Assembly Equipment	Consolidated
Three Months Ended June 30, 2026			
Automotive	$ 4,226,830	$ 22,042	$ 4,248,872
Non-automotive	2,022,234	965,519	2,987,753
Total net sales	$ 6,249,064	$ 987,561	$ 7,236,625
Three Months Ended June 30, 2025			
Automotive	$ 3,849,079	$ 108,530	$ 3,957,609
Non-automotive	2,548,136	792,332	3,340,468
Total net sales	$ 6,397,215	$ 900,862	$ 7,298,077
Six Months Ended June 30, 2026			
Automotive	$ 7,816,595	$ 66,046	$ 7,882,641
Non-automotive	4,231,086	1,974,414	6,205,500
Total net sales	$ 12,047,681	$ 2,040,460	$ 14,088,141
Six Months Ended June 30, 2025			
Automotive	$ 7,647,737	$ 150,641	$ 7,798,378
Non-automotive	4,908,449	1,836,885	6,745,334
Total net sales	$ 12,556,186	$ 1,987,526	$ 14,543,712

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

	Fastener	Assembly Equipment	Consolidated
Three Months Ended June 30, 2026			
United States	$ 4,827,314	$ 817,089	$ 5,644,403
Foreign	1,421,750	170,472	1,592,222
Total net sales	$ 6,249,064	$ 987,561	$ 7,236,625
Three Months Ended June 30, 2025			
United States	$ 4,460,995	$ 650,105	$ 5,111,100
Foreign	1,936,220	250,757	2,186,977
Total net sales	$ 6,397,215	$ 900,862	$ 7,298,077
Six Months Ended June 30, 2026			
United States	$ 9,390,722	$ 1,664,727	$ 11,055,449
Foreign	2,656,959	375,733	3,032,692
Total net sales	$ 12,047,681	$ 2,040,460	$ 14,088,141
Six Months Ended June 30, 2025			
United States	$ 9,236,162	$ 1,565,797	$ 10,801,959
Foreign	3,320,024	421,729	3,741,753
Total net sales	$ 12,556,186	$ 1,987,526	$ 14,543,712

Note 9. Exit and disposal

On February 25, 2025, the Company completed the sale of the Albia manufacturing facility's remaining assets and real estate for total net cash proceeds of approximately $678,000, and recorded a gain of $339,520 within Gain on sale of property in the Condensed Consolidated Statements of Operations.

Note 10. Debt

March 2025 Credit Agreement. On March 6, 2025, the Company entered into a one-year $3,000,000 operating credit agreement (the "March 2025 Credit Agreement"), renewable annually, and consisting of a: (a) $2,500,000 revolving line of credit, and (b) $500,000 non-revolving line of credit. The non-revolving line of credit expired on December 31, 2025 and the Company did not renew it. Borrowings under the March 2025 Credit Agreement bear interest at a fluctuating rate per annum equal to 1% plus the applicable prime rate subject to 7% floor. The agreement can be early terminated and amounts due repaid, at the Company's discretion, without prepayment penalties. As of June 30, 2026 there were $1,500,000 in borrowings outstanding under the March 2025 Credit Agreement. On July 31, 2026, the Company paid off the amounts outstanding under the March 2025 Credit Agreement and terminated this agreement.

The March 2025 Credit Agreement included certain financial covenants such as minimum profitability for the twelve months ended December 31, 2025, and minimum tangible net worth. As of December 31, 2025, March 31, 2026, and June 30, 2026, the Company was not in compliance with all such financial covenants. On February 27, 2026, the lender waived the covenant violation, and no new covenants were added to the credit agreement. As of March 31, 2026, the Company was not in compliance with the minimum net worth covenant, and the lender waived this covenant violation on May 6, 2026. As of June 30, 2026, the Company has made all required principal and interest payments under the March 2025 Credit Agreement.

The carrying amounts reported in the Condensed Consolidated Balance Sheets for borrowings outstanding under the March 2025 Credit Agreement approximate their fair value due to their short-term nature and being subject to variable interest rates.

July 2026 Related Party Note. On July 31, 2026, the Company entered into a one-year loan and security agreement with a related party (the "July 2026 Related Party Note"), renewable annually, and consisting of one term loan in the amount of $1,500,000. Borrowings under the July 2026 Related Party Note bear interest at a fluctuating rate per annum equal to 1.25% plus the applicable prime rate subject to 7% floor. The agreement can be early terminated and amounts due repaid, at the Company's discretion, without prepayment penalties. The July 2026 Related Party Note contains a single financial covenant requiring the Company to obtain the lender's consent before paying any dividends.

Note 11. Liquidity risk and going concern

The Company evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date on which this Quarterly Report on Form 10-Q is filed. The Company incurred significant recurring operating losses primarily driven by continuous decline in revenues, recurring negative cash flows from operations and continued reduction in liquidity. The Company reported operating losses of $1,033,711 and $417,431 for the three months ended June 30, 2026 and 2025, respectively. The Company reported operating losses of $1,415,303 and $7,737 for the six months ended June 30, 2026 and 2025, respectively. The Company's liquid assets at June 30, 2026 consisted of cash and cash equivalents totaling $770,752. The Company's debt consists of $1,500,000 outstanding under the March 2025 Credit Agreement revolving line of credit at June 30, 2026. The Company's declining revenues, recurring operating losses and negative cash flows, and continued reduction in liquidity, raise substantial doubt about the Company's ability to continue as a going concern within one year after the issuance date of these financial statements.

In response to these challenges, the Company has developed and begun implementing a series of strategic actions aimed at improving liquidity and ensuring business continuity. These actions include:

(a) taking action to sell certain H&L assets in 2026. These assets in the amount of $179,254 were classified as Assets held for sale at December 31, 2025 and June 30, 2026,

(b) paying off the amounts outstanding under the March 2025 Credit Agreement revolving line of credit and entering into a term loan with a related party to continue financing operations under more favorable terms,

(c) leveraging the Company's sales team to identify and execute on new sales opportunities and increase revenue; and

(d) evaluating other financing sources, including exploring the potential for a real estate sale leaseback or similar transaction, or seeking to potentially raise additional capital.

Management believes that these actions, if successfully executed, will mitigate the conditions giving rise to substantial doubt. However, uncertainty remains with respect to the Company's ability to increase sales, secure additional financing or liquidity, comply with loan covenants, or achieve projected cost savings. If these efforts are not successful, the

Company may be required to seek alternative strategic actions. As a result, substantial doubt remains regarding the Company's ability to continue as a going concern. The accompanying consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern, and they do not include any adjustments that might result from the outcome of this uncertainty.

Note 12. Related party

On July 31, 2026, the Company entered into a loan agreement with CRM Funding, LLC, which is wholly-owned by John A. Morrissey, a beneficial owner of approximately 10.35% of the Company's outstanding common stock. Pursuant to the loan agreement, CRM Funding, LLC agreed to provide the Company with a term loan in the principal amount of $1,500,000. Because Mr. Morrissey beneficially owns more than 5% of the Company's voting securities and indirectly holds a material interest in the loan through his ownership of CRM Funding, LLC, the transaction constitutes a related person transaction under Item 404(a) of Regulation S-K.

The loan bears interest at a rate of 1.25% plus prime per annum, with a floor of 7.0%, and matures on July 31, 2027. Interest is payable monthly, and the Company may prepay the loan at any time without penalty. The loan is secured by a lien on all of the Company's assets. The Company used the loan proceeds for working capital and general corporate purposes.

The Audit Committee and Board of Directors reviewed and approved the transaction in accordance with the Company's related person transaction policy. In approving the transaction, the Audit Committee and Board of Directors considered, among other factors, the Company's financing alternatives, prevailing market terms for comparable loans, the shareholder's relationship with the Company, and the determination of management that the terms of the loan were consistent with market terms and were fair to, and in the best interests of, the Company and its shareholders.

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

The following discussion and analysis 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 the section captioned "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2025, and in other fillings we make with the Securities and Exchange Commission. These factors include, among other things: risk related to the Company's ability to continue as a going concern, conditions in the domestic and international 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, including the imposition of tariffs, the price and availability of raw materials, supply chain disruptions, labor relations issues and rising costs, losses related to product liability, warranty and recall claims, costs relating to compliance with environmental laws and regulations, information systems disruptions and the threat of cyber-attacks, geo-political events and disruptions, including the engagement of the U.S. in hostilities abroad and the resulting effect on supply chains, cost of raw materials and export sales, the loss of the services of our key employees, our indebtedness which could affect our financial flexibility, financial condition and competitive position, and our internal control over financial reporting where a material weakness was identified. 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 unless required under the federal securities laws.

Results of Operations

Sales for the three months ended June 30, 2026 were $7,236,625 compared to $7,298,077 for the three months ended June 30, 2025, a decrease of $61,452, or 0.8%. Sales for the six months ended June 30, 2026 were $14,088,141 compared to $14,543,712 for the six months ended June 30, 2025, a decrease of $455,571, or 3.1%. The year-over-year decrease in sales was primarily driven by lower order volumes from our fastener customers, reflecting softer demand across key end markets and broader macroeconomic conditions. Customers exhibited more cautious purchasing behavior during the period amid elevated interest rates, inflationary pressures, a renewed shortage in semiconductor supply, and ongoing economic uncertainty resulting, in part, from geopolitical events.

Gross margins for the three months ended June 30, 2026 were $563,312 compared to $975,062 for the three months ended June 30, 2025, a decrease of $411,750, or 42.2%. Gross margins for the six months ended June 30, 2026 were 1,521,770 compared to 2,632,803 for the six months ended June 30, 2025, a decrease of $1,111,033, or 42.2%. The decrease in gross margin was primarily driven by lower sales volumes, which reduced the absorption of fixed manufacturing costs, as well as an unfavorable sales mix. Gross margins were further impacted by increases in raw material and labor costs, together with ongoing inflationary pressures across manufacturing operations, which were not fully offset through pricing actions or operational efficiencies.

Net loss for the three months ended June 30, 2026 was $989,528, or $1.02 per share, compared to net loss of $394,980, or $0.41 per share for the three months ended June 30, 2025, an increase of $594,548, or 150.5%. Net loss for the six months ended June 30, 2026 was $1,351,543, or $1.40 per share, compared to net income of $6,042, or $0.01 per share for the six months ended June 30, 2025. The increase in net loss was primarily driven by lower sales volumes, reduced absorption of fixed manufacturing costs, and an unfavorable product mix partially offset by slight reductions in sales and administrative expenses. Operating results were impacted by weakened demand across general industrial markets, coupled with a more cautious customer ordering environment. Higher borrowing costs, persistent inflation, and general economic and geopolitical uncertainty contributed to delayed purchasing decisions and lower overall activity levels. Results for the year-to-date period were further affected by the absence of a $339,520 gain on the sale of the Albia facility recognized in the prior-year period.

Fastener segment sales were $6,249,064 for the three months ended June 30, 2026 compared to $6,397,215 for the three months ended June 30, 2025, a decrease of $148,151, or 2.3%. Fastener segment sales were $12,047,681 for the six months ended June 30, 2026 compared to $12,556,186 for the six months ended June 30, 2025, a decrease of $508,505, or 4.0%, reflecting lower sales to non-automotive customers, particularly in the construction and electronics markets, which more than offset modest growth in sales to automotive customers from key original equipment manufacturers. North American vehicle production remains challenged, and uncertainty continues to affect broader automotive industry demand trends. In addition, elevated interest rates and ongoing economic uncertainty continue to contribute to softer consumer demand, prompting inventory adjustments and cautious procurement behavior among our automotive customers. The automotive sector is the primary market for our fastener segment products, and sales to automotive customers were $4,226,830 for the three months ended June 30, 2026 compared to $3,849,079 for the three months ended June 30, 2025, an increase of $377,751, or 9.8%. Sales to automotive customers were $7,816,595 for the six months ended June 30, 2026 compared to $7,647,737 for the six months ended June 30, 2025, an increase of $168,858, or 2.2%. Fastener segment sales to non-automotive customers, including those in the construction and electronics industries, were $2,022,234 for the three months ended June 30, 2026 compared to $2,548,136 for the three months ended June 30, 2025, a decrease of $525,902, or 20.6%. Fastener segment sales to non-automotive customers were $4,231,086 for the six months ended June 30, 2026 compared to $4,908,449 for the six months ended June 30, 2025, a decrease of $677,363 or 13.8%.

Assembly equipment segment sales were $987,561 for the three months ended June 30, 2026 compared to $900,862 for the three months ended June 30, 2025, an increase of $86,699, or 9.6%. Assembly equipment segment sales were $2,040,460 for the six months ended June 30, 2026 compared to $1,987,526 for the six months ended June 30, 2025, an increase of $52,934, or 2.7%.

Selling and administrative expenses were $1,597,023 for the three months ended June 30, 2026 compared to $1,392,493 for the three months ended June 30, 2025, an increase of $204,530, or 14.7%. Selling and administrative expenses were $2,937,073 for the six months ended June 30, 2026 compared to $2,980,060 for the six months ended June 30, 2025, a slight decrease of $42,987 or 1.4%. Selling and administrative expenses were 22.1% and 19.1% of sales in the three months ended June 30, 2026 and 2025, respectively. The Company believes that it has made substantial progress in continuing to implement its plans to reduce costs and improve efficiency and will continue to do so for the remainder of the year.

Other income for the three months ended June 30, 2026 was $62,387 compared to $2,383 for the three months ended June 30, 2025, an increase of $60,004. Other income for the six months ended June 30, 2026 was $64,321 compared to $14,070 for the six months ended June 30, 2025, an increase of $50,251 primarily attributable to the gain on the sale of certain H&L assets.

The Company’s effective tax rates were zero and 4.6% for the six months ended June 30, 2026 and 2025, respectively.

See Note 5. Income taxes to the Condensed Consolidated Financial Statements included herein for additional information.

Liquidity and Capital Resources

Working capital was $8,695,836 as of June 30, 2026, compared to $9,894,317 at the beginning of the year, a decrease of $1,198,481, or 12.1%.

On March 6, 2025, the Company entered into a one-year $3,000,000 operating credit agreement (the “March 2025 Credit Agreement”), renewable annually, and consisting of a: (a) $2,500,000 revolving line of credit, and (b) $500,000 non-revolving line of credit. The non-revolving line of credit expired on December 31, 2025 and was not renewed. Borrowings under the March 2025 Credit Agreement bear interest at a fluctuating rate per annum equal to 1% plus the applicable prime rate subject to a 7% floor. The agreement can be early terminated and amounts due repaid, at the Company's discretion, without prepayment penalties. As of June 30, 2026, there was $1,500,000 in borrowings outstanding under the revolving line of credit and no borrowings under the non-revolving line of credit. On July 31, 2026, the Company paid off the amounts outstanding under the March 2025 Credit Agreement and terminated this agreement.

The March 2025 Credit Agreement included certain financial covenants such as minimum profitability for the twelve months ended December 31, 2025, and minimum tangible net worth. As of December 31, 2025, March 31, 2026, and June 30, 2026, the Company was not in compliance with all such financial covenants. On February 27, 2026, the lender waived the covenant violation, and no new covenants were added to the credit agreement. As of March 31, 2026, the Company was not in compliance with the minimum net worth covenant, and the lender waived this covenant violation on May 6, 2026. As of June 30, 2026, the Company has made all required principal and interest payments under the March 2025 Credit Agreement.

On July 31, 2026, the Company entered into a one-year loan and security agreement with a related party (the "July 2026 Related Party Note"), renewable annually, and consisting of one term loan in the amount of $1,500,000. Borrowings under the July 2026 Related Party Note bear interest at a fluctuating rate per annum equal to 1.25% plus the applicable prime rate subject to 7% floor. The agreement can be early terminated and amounts due repaid, at the Company's discretion, without prepayment penalties. The July 2026 Related Party Note contains a single financial covenant requiring the Company to obtain the lender's consent before paying any dividends.

See Note 10. Debt to the Condensed Consolidated Financial Statements included herein for additional information.

The Company also had outstanding total operating lease obligations of $386,858 of which $105,246 were classified as current within Other current liabilities in the Condensed Consolidated Balance Sheets at June 30, 2026.

See Note 7. Leases to the Condensed Consolidated Financial Statements included herein for additional information.

The Company has incurred significant recurring operating losses over the last two years, primarily driven by a continuous decline in revenues, recurring negative cash flows from operations and continued reduction in liquidity. The Company reported operating losses of $1,033,711 and $417,431 for the three months ended June 30, 2026 and 2025, respectively. The Company reported operating losses of $1,415,303 and $7,737 for the six months ended June 30, 2026 and 2025, respectively. The Company's liquid assets at June 30, 2026 consisted of cash and cash equivalents totaling $770,752. The Company's declining revenues, recurring operating losses and negative cash flows, and continued reduction in liquidity, raise substantial doubt about the Company's ability to continue as a going concern within one year after the issuance date of these financial statements. In response, the Company has taken various strategic actions including (a) taking action to sell certain H&L assets in 2026 and in connection with such anticipated sale, the Company classified these assets in the amount of $179,254 as Assets held for sale in the Consolidated Balance Sheets at December 31, 2025 and June 30, 2026, (b) paying off the amounts outstanding under the March 2025 Credit Agreement revolving line of credit and entering into a term loan with a related party to continue financing operations under more favorable terms, (c) leveraging the Company's sales team to identify and execute on new sales opportunities and increase revenue; and (d) evaluating other financing sources in addition to the March 2025 Credit Agreement, including exploring the potential for a real estate sale leaseback or similar transaction, or seeking to potentially raise additional capital.

The Company will continue to seek to enhance its sales efforts to further improve revenue, improve operating efficiency and enhance liquidity. The Company believes that if it successfully implements the foregoing strategic actions, it will mitigate the factors giving rise to substantial doubt, however, there is no guarantee that the Company will successfully implement these strategic actions. As a result, there remains substantial doubt regarding the Company's ability to continue as a going concern.

The accompanying consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern, and they do not include any adjustments that might result from the outcome of this uncertainty.

Outlook for the remainder of 2026

Fiscal 2026 guidance remains subject to ongoing macroeconomic uncertainty. We expect production volumes in the segments we serve to increase slightly with the added benefit of new customer awards ramping up in the second half of 2026. Overall, results remain consistent with our 2026 outlook, supported by modest improvement in automotive demand, while non-automotive markets continue to lag expectations. Significant uncertainty remains in the manufacturing sector as companies like ours continue to navigate the potential impacts of tariffs and numerous market factors and geopolitical events that may impact our business in the coming year. The Company believes all of the actions to reduce costs in 2025 continue to better position us to manage this uncertainty, and we will continue to push efficiency improvements in operations and seek to reduce operating expenses, as well as seek appropriate price adjustments from customers and aggressively pursue new sales opportunities to drive volume back to historic levels. While sales in the fastener segments remain lower than anticipated, the company's sales team's focus over the last year on new business with existing customers, new customers and new products is progressing and the company expects these efforts to begin showing meaningful progress in the fourth quarter and full year 2027 based on discussions and negotiations that are in progress. We will also seek to achieve a more favorable sales mix, and aggressively manage our cost of goods sold, to improve our operating margin. In addition, we will actively monitor and analyze potential impacts from tariffs and other external factors, including both challenges and opportunities resulting from tariffs and external factors, so that we are positioned to take actions promptly and as necessary to address such potential impacts. We believe our continued focus on efficiency improvements and driving new sales, as well as our long term operating experience, quality products, and customer service in a very competitive global marketplace will provide the foundation for improved operating results in the future.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a Smaller Reporting Company as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations with respect to this Item and, therefore, are not required to provide the information requested by this Item 3.

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 Chief 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 Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were not effective due to the material weakness in internal control over financial reporting as described below.

Material Weakness in Internal Control Over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis.

A material weakness in internal control over financial reporting related to inventory was identified in the Company’s internal control over financial reporting as of December 31, 2024 and 2025. Specifically, the Company did not design and maintain effective controls related to the review of the inventory.

Remediation Plans for Material Weakness

The Company’s management, under the oversight of the Audit Committee, is in the process of designing and implementing changes and enhancements in processes and controls to remediate the material weakness in internal control over financial reporting related to inventory. Our enhanced design includes the timely and detailed review over the reconciliation of inventory accounts including subsequent reconciliations to ensure completeness and accuracy.

This material weakness will not be considered remediated until management completes its remediation plans and the enhanced controls operate for a sufficient period of time and management has concluded, through testing, that the related controls are effective. The Company will monitor the effectiveness of its remediation plans and will continue to refine its remediation plans as appropriate.

Notwithstanding the material weakness noted above, the Company’s management, including the Company's Chief Executive Officer and Chief Financial Officer has concluded that our unaudited interim consolidated financial statements included in this Quarterly Report present fairly, in all material respects, our financial position, results of operations, and cash flows for the periods presented in accordance with accounting principles generally accepted in the United States of America.

(b) Changes in Internal Control Over Financial Reporting. Except as described above, 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 quarter ended June 30, 2026 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

Exhibit Number	
31.1	Certification of Principal Executive Officer 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 of Principal Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Furnished herewith.
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Furnished herewith.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema with Embedded Linkbase Documents.
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

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 6, 2026

/s/ Gregory D. Rizzo
Gregory D. Rizzo
Chief Executive Officer
(Principal Executive Officer)

Date: August 6, 2026

/s/ Joel M. Brown
Joel M. Brown
Chief Financial Officer
(Principal Financial and Accounting Officer)