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

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**FORM 10-Q**

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(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, 2020**

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**

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**Chicago Rivet & Machine Co.**

(Exact Name of Registrant as Specified in Its Charter)

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**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

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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 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.

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

As of August 3, 2020, there were 966,132 shares of the registrant's common stock outstanding.

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CHICAGO RIVET & MACHINE CO.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

CHICAGO RIVET & MACHINE CO.  
Condensed Consolidated Balance Sheets  
June 30, 2020 and December 31, 2019

	June 30, 2020 (Unaudited)	December 31 2019,
Assets		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,258,864	\$ 1,429,454
Certificates of deposit	6,823,000	6,574,000
Accounts receivable—Less allowances of \$160,000 and \$140,000, respectively	3,557,637	4,609,314
Inventories, net	4,745,786	4,951,177
Prepaid income taxes	316,186	58,186
Other current assets	461,779	427,192
<b>Total current assets</b>	<b>17,163,252</b>	<b>18,049,323</b>
<b>Property, Plant and Equipment:</b>		
Land and improvements	1,636,749	1,636,749
Buildings and improvements	8,341,461	8,331,804
Production equipment and other	36,654,440	36,408,746
	46,632,650	46,377,299
Less accumulated depreciation	33,379,382	32,703,246
<b>Net property, plant and equipment</b>	<b>13,253,268</b>	<b>13,674,053</b>
<b>Total assets</b>	<b>\$30,416,520</b>	<b>\$31,723,376</b>

See Notes to the Condensed Consolidated Financial Statements

CHICAGO RIVET & MACHINE CO.  
Condensed Consolidated Balance Sheets  
June 30, 2020 and December 31, 2019

	June 30, 2020	December 31, 2019
	(Unaudited)	
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 345,179	\$ 490,580
Accrued wages and salaries	749,513	629,972
Other accrued expenses	222,205	349,069
Unearned revenue and customer deposits	79,621	152,644
<b>Total current liabilities</b>	<b>1,396,518</b>	<b>1,622,265</b>
Deferred income taxes	894,084	943,084
<b>Total liabilities</b>	<b>2,290,602</b>	<b>2,565,349</b>
<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	30,462,786	31,494,895
Treasury stock, 171,964 shares at cost	(3,922,098)	(3,922,098)
<b>Total shareholders' equity</b>	<b>28,125,918</b>	<b>29,158,027</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$30,416,520</b>	<b>\$31,723,376</b>
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, 2020 and 2019  
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net sales	\$ 4,103,520	\$8,875,451	\$ 11,679,975	\$17,497,129
Cost of goods sold	4,033,370	7,327,481	10,299,398	14,287,396
Gross profit	70,150	1,547,970	1,380,577	3,209,733
Selling and administrative expenses	1,214,423	1,306,665	2,499,757	2,649,361
Operating profit (loss)	(1,144,273)	241,305	(1,119,180)	560,372
Other income	43,757	49,254	90,232	98,029
Income (loss) before income taxes	(1,100,516)	290,559	(1,028,948)	658,401
Provision (benefit) for income taxes	(321,000)	61,000	(306,000)	142,000
Net income (loss)	\$ (779,516)	\$ 229,559	\$ (722,948)	\$ 516,401
Per share data, basic and diluted:				
Net income (loss) per share	\$ (0.81)	\$ 0.24	\$ (0.75)	\$ 0.54
Average common shares outstanding	966,132	966,132	966,132	966,132
Cash dividends declared per share	\$ 0.10	\$ 0.22	\$ 0.32	\$ 0.74

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, 2020 and 2019  
(Unaudited)

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid- in Capital	Retained Earnings	Treasury Stock, at Cost		Total
						Shares	Amount	
Balance, December 31, 2019	\$—	966,132	\$1,138,096	\$447,134	\$31,494,895	171,964	\$ (3,922,098)	\$29,158,027
Net income					\$ 56,568			\$ 56,568
Dividends declared (\$0.22 per share)					\$ (212,549)			\$ (212,549)
Balance, March 31, 2020	\$ —	966,132	\$ 1,138,096	\$ 447,134	\$ 31,338,914	171,964	\$ (3,922,098)	\$ 29,002,046
Net income (loss)					\$ (779,516)			\$ (779,516)
Dividends declared (\$0.10 per share)					\$ (96,612)			\$ (96,612)
Balance, June 30, 2020	\$ —	966,132	\$ 1,138,096	\$ 447,134	\$ 30,462,786	171,964	\$ (3,922,098)	\$ 28,125,918
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

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, 2020 and 2019  
(Unaudited)

	2020	2019
Cash flows from operating activities:		
Net income (loss)	\$ (722,948)	\$ 516,401
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	676,137	682,667
Gain on disposal of equipment	—	(5,000)
Deferred income taxes	(49,000)	78,000
Changes in operating assets and liabilities:		
Accounts receivable	1,051,677	(258,048)
Inventories	205,391	1,568
Other current assets and prepaid income taxes	(292,587)	72,115
Accounts payable	(145,401)	(265,603)
Accrued wages and salaries	119,541	261,219
Other accrued expenses	(126,864)	(195,368)
Unearned revenue and customer deposits	(73,023)	(178,075)
Net cash provided by operating activities	<u>642,923</u>	<u>709,876</u>
Cash flows from investing activities:		
Capital expenditures	(255,352)	(1,283,736)
Proceeds from the sale of equipment	—	5,000
Proceeds from certificates of deposit	3,486,000	4,324,000
Purchases of certificates of deposit	(3,735,000)	(2,839,000)
Net cash (used in) provided by investing activities	<u>(504,352)</u>	<u>206,264</u>
Cash flows from financing activities:		
Cash dividends paid	(309,161)	(714,938)
Net cash used in financing activities	<u>(309,161)</u>	<u>(714,938)</u>
Net (decrease) increase in cash and cash equivalents	(170,590)	201,202
Cash and cash equivalents at beginning of period	1,429,454	706,873
Cash and cash equivalents at end of period	<u>\$ 1,258,864</u>	<u>\$ 908,075</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, 2020 (unaudited) and December 31, 2019 (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, 2019.

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, 2020 are not necessarily indicative of the results to be expected for the year.

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 2020, the Company had no such 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 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, 2020 and December 31, 2019 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 Equipment	Consolidated
<b>Three Months Ended June 30, 2020:</b>			
Automotive	1,577,488	38,250	1,615,738
Non-automotive	1,936,254	551,528	2,487,782
Total net sales	<u>3,513,742</u>	<u>589,778</u>	<u>4,103,520</u>
<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>Six Months Ended June 30, 2020:</b>			
Automotive	5,991,225	71,709	6,062,934
Non-automotive	4,259,914	1,357,127	5,617,041
Total net sales	<u>10,251,139</u>	<u>1,428,836</u>	<u>11,679,975</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>

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

	Fastener	Assembly Equipment	Consolidated
<b>Three Months Ended June 30, 2020:</b>			
United States	3,070,643	539,141	3,609,784
Foreign	443,099	50,637	493,736
Total net sales	<u>3,513,742</u>	<u>589,778</u>	<u>4,103,520</u>
<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>Six Months Ended June 30, 2020:</b>			
United States	8,811,569	1,287,627	10,099,196
Foreign	1,439,570	141,209	1,580,779
Total net sales	<u>10,251,139</u>	<u>1,428,836</u>	<u>11,679,975</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>

5. The Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) was signed into law on March 27, 2020. The CARES Act allows for the carryback of any net operating loss arising in a tax year beginning after December 31, 2017 and before January 1, 2021, to each of the five tax years preceding the tax year in which the loss arises. As a result, the Company’s effective tax rate was approximately (29.2)% for the second quarter of 2020 compared to 21% for the second quarter of 2019. The Company’s effective tax rate was (29.7)% and 21.6% for the six months ended June 30, 2020 and 2019, respectively.

The Company’s federal income tax returns for the 2016 through 2019 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 2016 through 2019 federal income tax returns will expire on September 15, 2020 through 2023, respectively.

The Company’s state income tax returns for the 2016 through 2019 tax years remain subject to examination by various state authorities with the latest closing period on October 31, 2023. 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:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Raw material	\$ 2,315,730	\$ 2,337,278
Work-in-process	1,091,787	1,201,099
Finished goods	<u>1,865,269</u>	<u>1,869,800</u>
Inventories, gross	5,272,786	5,408,177
Valuation reserves	<u>(527,000)</u>	<u>(457,000)</u>
Inventories, net	<u>\$ 4,745,786</u>	<u>\$ 4,951,177</u>

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 Equipment	Other	Consolidated
<b>Three Months Ended June 30, 2020:</b>				
Net sales	\$ 3,513,742	\$ 589,778	\$ —	\$ 4,103,520
Depreciation	297,534	32,869	8,378	338,781
Segment operating profit (loss)	(653,510)	31,010	—	(622,500)
Selling and administrative expenses	—	—	(503,340)	(503,340)
Interest income	—	—	25,324	25,324
Income (loss) before income taxes				<u>\$ (1,100,516)</u>
Capital expenditures	29,545	—	57,810	87,355
<b>Segment assets:</b>				
Accounts receivable, net	3,327,037	230,600	—	3,557,637
Inventories, net	3,782,622	963,164	—	4,745,786
Property, plant and equipment, net	10,651,338	1,621,026	980,904	13,253,268
Other assets	—	—	8,859,829	8,859,829
				<u>\$30,416,520</u>
<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
<b>Segment assets:</b>				
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	7,002,868
				<u>\$32,757,554</u>

	Fastener	Assembly Equipment	Other	Consolidated
<b>Six Months Ended June 30, 2020:</b>				
Net sales	\$10,251,139	\$1,428,836	\$ —	\$11,679,975
Depreciation	593,644	65,738	16,755	676,137
Segment operating profit (loss)	(249,492)	215,581	—	(33,911)
Selling and administrative expenses	—	—	(1,054,236)	(1,054,236)
Interest income	—	—	59,199	59,199
Income (loss) before income taxes				<u>\$ (1,028,948)</u>
Capital expenditures	197,542	—	57,810	255,352
<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

8. COVID-19—In March 2020, the World Health Organization characterized the novel coronavirus (“COVID-19”) a pandemic and the President of the United States declared the COVID-19 outbreak a national emergency. The rapid spread of the virus and the evolving response domestically and internationally to combat it have had a significant negative impact on the global economy, including the automotive industry upon which we rely for sales. Beginning in March, most states issued executive orders which temporarily closed businesses deemed non-essential in an effort to prevent the spread of the coronavirus. Similar measures also took place in foreign markets we serve. As a result, our operations and the operations of our customers and suppliers have been adversely affected. Since some of our customers are classified as essential businesses and were allowed to continue to operate during this period, we were able to continue our operations, but at a significantly reduced level, in order to service those customers. Our automotive customers were particularly affected, as much of the sector was idled for an extended period of time during the second quarter due to employee safety concerns. While most shut-down orders were lifted late in the second quarter, various work-related restrictions remain in place. Due to the rapidly changing business environment and heightened degree of uncertainty resulting from COVID-19, we have taken measures to reduce expenses and conserve capital during this period, including reduced work schedules, delayed capital expenditures and a reduction in dividend payments. We have seen improved demand since government-imposed restrictions were relaxed, however the timing of any broad economic recovery is uncertain and will likely be tied to the course of the pandemic. As we cannot predict the duration or scope of the COVID-19 pandemic, or its broader impact on the global economy, including the demand for automobiles, it is unknown how long the COVID-19 restrictions will remain in place or what the impact of COVID-19 and its related effects will be on our business, results of operations or financial condition, but the impact could be material and last for an extended period of time.

## 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 2020 were \$4,103,520 compared to \$8,875,451 in the second quarter of 2019, a decline of \$4,771,931, or 53.8%, as the impact of government-mandated business closures due to the novel coronavirus ("COVID-19") pandemic severely limited demand for our products. For the first half of 2020, net sales totaled \$11,679,975 compared to \$17,497,129 in the first half of 2019, a decline of \$5,817,154, or 33.2%. Although we acted swiftly to reduce expenses in response to the sudden drop in demand, cost reductions were not sufficient to offset the effects of the decline in sales. The result was a net loss for the second quarter of 2020 of \$779,516, or \$0.81 per share, compared to net income of \$229,559, or \$0.24 per share, in the second quarter of 2019. The net loss for the first half of 2020 was \$722,948, or \$0.75 per share, compared to net income of \$516,401, or \$0.54 per share, in the first half of 2019.

Fastener segment revenues were \$3,513,742 in the second quarter of 2020 compared to \$7,816,704 reported in the second quarter of 2019, a decline of \$4,302,962, or 55.0%. For the first six months of 2020, fastener segment revenues were \$10,251,139 compared to \$15,395,824 in the first half of 2019, a decline of \$5,144,685, or 33.4%. The automotive sector is the primary market for our fastener segment products and much of that sector was idled for an extended period of time during the second quarter due to the COVID-19 pandemic. As a result, fastener segment sales to automotive customers declined \$3,302,550, or 67.7%, in the second quarter and \$3,607,029, or 37.6%, in the first half of 2020 compared to the prior year periods. Although some of our non-automotive customers were allowed to remain open during the second quarter as essential businesses, sales to non-automotive customers also experienced significant reductions and declined \$1,000,412, or 34.1%, in the second quarter and \$1,537,656, or 26.5%, in the first half of the current year compared to the prior year periods. In response to the reduced demand for our products, we have taken steps to reduce expenses where practicable, including reductions in staffing and work schedules. Even though we reduced all major categories of manufacturing costs, these savings did not fully offset the decline in sales volume, resulting in a \$1,259,211 reduction in fastener segment gross margin in the second quarter and a \$1,492,445 reduction in the year to date amount, compared to the year earlier periods.

Assembly equipment segment revenues were \$589,778 in the second quarter of 2020 compared to \$1,058,747 in the second quarter of 2019, a decline of \$468,969, or 44.3%. For the first half of 2020, assembly equipment revenues were \$1,428,836 compared to \$2,101,305 for the first half of 2019, a decline of \$672,469, or 32.0%. The decline in sales during the second quarter and the year to date was primarily due to the broad effects of the COVID-19 pandemic, but also due to the inclusion of certain high-dollar value machine orders in the second quarter of 2019. The reduction in revenue was the primary cause of the decline in assembly equipment segment gross margins to \$110,314 in the second quarter of 2020 from \$328,923 in the second quarter of 2019. For the first half of the year, gross margins were \$328,789 compared to \$665,500 in 2019, a decline of \$336,711.

Selling and administrative expenses for the second quarter of 2020 were \$1,214,423, a decline of \$92,242, or 7.1%, compared with the year earlier quarter total of \$1,306,665. The decline was primarily due to a \$100,000 reduction in sales commissions due to lower sales and reductions of \$30,000 and \$25,000 related to salaries and outside services, respectively, during the quarter. These reductions were partially offset by a \$53,000 increase in consulting fees related to an ERP system update. The net difference was related to various smaller items. For the first six months of 2020, selling and administrative expenses were \$2,499,757 compared to \$2,649,361 in 2019, a decline of \$149,604, or 5.6%. As in the second quarter, expenditures for the first half of 2020 were lower primarily due to a reduction in commissions of approximately \$117,000 and reductions of \$40,000 and \$30,000 related to salaries and outside services, respectively. These reductions were partially offset by a \$44,000 increase in consulting expense. Various smaller items made up the remaining difference. Selling and administrative expenses as a percentage of net sales for the first half of 2020 were 21.4% compared to 15.1% in the first half of 2019.

#### Other Income

Other income in the second quarter of 2020 was \$43,757, compared to \$49,254 in the second quarter of 2019. Other income for the first six months of 2020 was \$90,232, compared to \$98,029 in the first six months of 2019. The declines were primarily due to a reduction in interest income on certificates of deposit due to lower interest rates in the current year.

### Income Tax Expense

The Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) was signed into law on March 27, 2020. The CARES Act allows for the carryback of any net operating loss arising in a tax year beginning after December 31, 2017 and before January 1, 2021, to each of the five tax years preceding the tax year in which the loss arises. As a result, the Company’s effective tax rate was approximately (29.2)% for the second quarter of 2020 compared to 21% for the second quarter of 2019. The Company’s effective tax rate was (29.7)% and 21.6% for the six months ended June 30, 2020 and 2019, respectively.

### Liquidity and Capital Resources

Working capital at June 30, 2020 was \$15.8 million, a decrease of \$0.7 million from the beginning of the year. The decline was primarily due to a \$1.1 million drop in accounts receivable due to the severe decline in sales during the second quarter. Due to the uncertain outlook, the quarterly dividend was reduced from \$0.22 per share to \$0.10 per share in the second quarter and capital expenditures were reduced to \$255,352 for the first half of 2020 from \$1,283,736 in the first half of 2019, in order to conserve cash. The net result of these changes and other cash flow activity was to leave cash, cash equivalents and certificates of deposit at \$8.1 million as of June 30, 2020 compared to \$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.

### COVID-19

We continue to closely monitor the impact of the COVID-19 pandemic on all aspects of our operations. Results for the second quarter and the first half of 2020 were negatively impacted by the widening spread of COVID-19 and the resultant measures taken domestically and internationally to combat this threat. During the first quarter, various states and foreign governments issued orders which temporarily closed businesses deemed non-essential as the coronavirus outbreak spread. These government-mandated closures extended well into the second quarter and resulted in a dramatic reduction in our revenues. As a result, our operations and the operations of our customers and suppliers have been adversely affected. Since some of our customers are classified as essential businesses and were able to continue to operate during these closures, we were able to continue our operations, but at a significantly reduced level, in order to service those customers. To ensure the safety of our own employees during this unprecedented crisis, we have reduced personnel in our facilities and adjusted work schedules in order to practice social distancing protocols and are following other safety practices recommended by the Centers for Disease Control. As we cannot predict the duration or scope of the COVID-19 pandemic, or its broader impact on the global economy, including the demand for automobiles, it is unknown how long the COVID-19 restrictions will remain in place or what the impact of COVID-19 and its related effects will be on our business, results of operations or financial condition, but the impact could be material and last for an extended period of time.

### 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: risk related to the COVID-19 pandemic and its related adverse effects, 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, supply chain disruptions, 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, 2020 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 7, 2020

/s/ Walter W. Morrissey

Walter W. Morrissey  
Chairman of the Board of Directors  
and Chief Executive Officer  
(Principal Executive Officer)

Date: August 7, 2020

/s/ Michael J. Bourg

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

EXHIBIT 31.1

I, Walter W. 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 7, 2020

/s/ Walter W. Morrissey

Walter W. 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 7, 2020

/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, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Walter W. 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/ Walter W. Morrissey

Name: Walter W. Morrissey

Title: Chief Executive Officer  
(Principal Executive Officer)

Date: August 7, 2020

**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, 2020 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 7, 2020