

**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 September 30, 2021**

OR

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

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

**Commission file number 000-01227**

**Chicago Rivet & Machine Co.**

(Exact Name of Registrant as Specified in Its Charter)

**Illinois**

(State or Other Jurisdiction of  
Incorporation or Organization)

**36-0904920**

(I.R.S. Employer  
Identification No.)

**901 Frontenac Road, Naperville, Illinois**

(Address of Principal Executive Offices)

**60563**

(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 and posted 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 November 1, 2021, there were 966,132 shares of the registrant's common stock outstanding.

CHICAGO RIVET & MACHINE CO.

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PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements.

CHICAGO RIVET & MACHINE CO.  
Condensed Consolidated Balance Sheets  
September 30, 2021 and December 31, 2020

	September 30, 2021 (Unaudited)	December 31, 2020
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,875,282	\$ 2,567,731
Certificates of deposit	2,741,000	4,733,000
Accounts receivable - Less allowances of \$170,000	6,074,743	5,163,450
Inventories, net	7,745,270	5,153,294
Prepaid income taxes	20,440	85,940
Other current assets	457,162	383,772
Total current assets	19,913,897	18,087,187
Property, Plant and Equipment:		
Land and improvements	1,778,819	1,636,749
Buildings and improvements	8,456,983	8,440,738
Production equipment and other	36,624,248	36,333,550
	46,860,050	46,411,037
Less accumulated depreciation	34,141,898	33,260,153
Net property, plant and equipment	12,718,152	13,150,884
Total assets	\$ 32,632,049	\$ 31,238,071

See Notes to the Condensed Consolidated Financial Statements

CHICAGO RIVET & MACHINE CO.  
Condensed Consolidated Balance Sheets  
September 30, 2021 and December 31, 2020

	September 30, 2021	December 31, 2020
Liabilities and Shareholders' Equity	(Unaudited)	
Current Liabilities:		
Accounts payable	\$ 1,176,565	\$ 466,424
Accrued wages and salaries	871,804	482,008
Other accrued expenses	357,321	322,968
Unearned revenue and customer deposits	208,539	249,498
Total current liabilities	2,614,229	1,520,898
Deferred income taxes	917,084	1,011,084
Total liabilities	3,531,313	2,531,982
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	1,138,096	1,138,096
Additional paid-in capital	447,134	447,134
Retained earnings	31,437,604	31,042,957
Treasury stock, 171,964 shares at cost	(3,922,098)	(3,922,098)
Total shareholders' equity	29,100,736	28,706,089
Total liabilities and shareholders' equity	\$ 32,632,049	\$ 31,238,071

See Notes to the Condensed Consolidated Financial Statements

CHICAGO RIVET & MACHINE CO.  
Condensed Consolidated Statements of Income  
For the Three and Nine Months Ended September 30, 2021 and 2020  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net sales	\$ 8,555,731	\$ 7,645,259	\$ 26,225,070	\$ 19,325,234
Cost of goods sold	<u>7,069,700</u>	<u>6,004,766</u>	<u>21,027,525</u>	<u>16,304,164</u>
Gross profit	1,486,031	1,640,493	5,197,545	3,021,070
Selling and administrative expenses	<u>1,290,046</u>	<u>1,258,995</u>	<u>3,936,995</u>	<u>3,758,752</u>
Operating profit (loss)	195,985	381,498	1,260,550	(737,682)
Other income	<u>11,674</u>	<u>32,637</u>	<u>43,744</u>	<u>122,869</u>
Income (loss) before income taxes	207,659	414,135	1,304,294	(614,813)
Provision (benefit) for income taxes	<u>35,000</u>	<u>105,000</u>	<u>272,000</u>	<u>(201,000)</u>
Net income (loss)	<u>\$ 172,659</u>	<u>\$ 309,135</u>	<u>\$ 1,032,294</u>	<u>\$ (413,813)</u>
Per share data, basic and diluted:				
Net income (loss) per share	<u>\$ 0.18</u>	<u>\$ 0.32</u>	<u>\$ 1.07</u>	<u>\$ (0.43)</u>
Average common shares outstanding	<u>966,132</u>	<u>966,132</u>	<u>966,132</u>	<u>966,132</u>
Cash dividends declared per share	<u>\$ 0.22</u>	<u>\$ 0.10</u>	<u>\$ 0.66</u>	<u>\$ 0.42</u>

See Notes to the Condensed Consolidated Financial Statements

CHICAGO RIVET & MACHINE CO.  
Condensed Consolidated Statements of Shareholders' Equity  
For the Three and Nine Months Ended September 30, 2021 and 2020  
(Unaudited)

	Preferred Stock	Common Stock		Additional Paid- in Capital	Retained Earnings	Treasury Stock, at Cost		Total
		Shares	Amount			Shares	Amount	
Balance, December 31, 2020	\$ -	966,132	\$ 1,138,096	\$ 447,134	\$ 31,042,957	171,964	\$ (3,922,098)	\$ 28,706,089
Net income					\$ 540,128			\$ 540,128
Dividends declared (\$0.22 per share)					\$ (212,549)			\$ (212,549)
Balance, March 31, 2021	\$ -	966,132	\$ 1,138,096	\$ 447,134	\$ 31,370,536	171,964	\$ (3,922,098)	\$ 29,033,668
Net income					\$ 319,507			\$ 319,507
Dividends declared (\$0.22 per share)					\$ (212,549)			\$ (212,549)
Balance, June 30, 2021	\$ -	966,132	\$ 1,138,096	\$ 447,134	\$ 31,477,494	171,964	\$ (3,922,098)	\$ 29,140,626
Net income					\$ 172,659			\$ 172,659
Dividends declared (\$0.22 per share)					\$ (212,549)			\$ (212,549)
Balance, September 30, 2021	<u>\$ -</u>	<u>966,132</u>	<u>\$ 1,138,096</u>	<u>\$ 447,134</u>	<u>\$ 31,437,604</u>	<u>171,964</u>	<u>\$ (3,922,098)</u>	<u>\$ 29,100,736</u>
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
Net income					\$ 309,135			\$ 309,135
Dividends declared (\$0.10 per share)					\$ (96,614)			\$ (96,614)
Balance, September 30, 2020	<u>\$ -</u>	<u>966,132</u>	<u>\$ 1,138,096</u>	<u>\$ 447,134</u>	<u>\$ 30,675,307</u>	<u>171,964</u>	<u>\$ (3,922,098)</u>	<u>\$ 28,338,439</u>

See Notes to the Condensed Consolidated Financial Statements

CHICAGO RIVET & MACHINE CO.  
Condensed Consolidated Statements of Cash Flows  
For the Nine Months Ended September 30, 2021 and 2020  
(Unaudited)

	2021	2020
Cash flows from operating activities:		
Net income (loss)	\$ 1,032,294	\$ (413,813)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	990,983	1,014,916
Loss on disposal of equipment	21,564	-
Deferred income taxes	(94,000)	(72,000)
Changes in operating assets and liabilities:		
Accounts receivable	(911,293)	(737,602)
Inventories	(2,591,976)	6,371
Other current assets and prepaid income taxes	(7,890)	(149,362)
Accounts payable	710,141	408,134
Accrued wages and salaries	389,796	315,161
Other accrued expenses	34,353	(84,645)
Unearned revenue and customer deposits	(40,959)	(35,351)
Net cash provided by (used in) operating activities	(466,987)	251,809
Cash flows from investing activities:		
Capital expenditures	(587,615)	(375,657)
Proceeds from the sale of equipment	7,800	-
Proceeds from certificates of deposit	4,084,000	4,831,000
Purchases of certificates of deposit	(2,092,000)	(4,733,000)
Net cash provided by (used in) investing activities	1,412,185	(277,657)
Cash flows from financing activities:		
Cash dividends paid	(637,647)	(405,775)
Net cash used in financing activities	(637,647)	(405,775)
Net increase (decrease) in cash and cash equivalents	307,551	(431,623)
Cash and cash equivalents at beginning of period	2,567,731	1,429,454
Cash and cash equivalents at end of period	\$ 2,875,282	\$ 997,831

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 September 30, 2021 (unaudited) and December 31, 2020 (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, 2020.

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 nine-month period ending September 30, 2021 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 a concentration 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 third quarter of 2021, the Company realized \$36,301 related to such contracts. As of September 30, 2021 there are no such contracts remaining.

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 September 30, 2021 and December 31, 2020 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
Three Months Ended September 30, 2021:			
Automotive	4,259,544	27,998	4,287,542
Non-automotive	3,293,075	975,114	4,268,189
Total net sales	<u>7,552,619</u>	<u>1,003,112</u>	<u>8,555,731</u>
Three Months Ended September 30, 2020:			
Automotive	4,660,451	34,687	4,695,138
Non-automotive	2,363,965	586,156	2,950,121
Total net sales	<u>7,024,416</u>	<u>620,843</u>	<u>7,645,259</u>
Nine Months Ended September 30, 2021:			
Automotive	13,410,100	100,953	13,511,053
Non-automotive	9,433,241	3,280,776	12,714,017
Total net sales	<u>22,843,341</u>	<u>3,381,729</u>	<u>26,225,070</u>
Nine Months Ended September 30, 2020:			
Automotive	10,653,621	107,476	10,761,097
Non-automotive	6,621,934	1,942,203	8,564,137
Total net sales	<u>17,275,555</u>	<u>2,049,679</u>	<u>19,325,234</u>

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

	Fastener	Assembly Equipment	Consolidated
Three Months Ended September 30, 2021:			
United States	6,300,067	981,905	7,281,972
Foreign	1,252,552	21,207	1,273,759
Total net sales	<u>7,552,619</u>	<u>1,003,112</u>	<u>8,555,731</u>
Three Months Ended September 30, 2020:			
United States	5,909,756	603,858	6,513,614
Foreign	1,114,660	16,985	1,131,645
Total net sales	<u>7,024,416</u>	<u>620,843</u>	<u>7,645,259</u>
Nine Months Ended September 30, 2021:			
United States	18,589,576	3,320,415	21,909,991
Foreign	4,253,765	61,314	4,315,079
Total net sales	<u>22,843,341</u>	<u>3,381,729</u>	<u>26,225,070</u>
Nine Months Ended September 30, 2020:			
United States	14,721,327	1,891,485	16,612,812
Foreign	2,554,228	158,194	2,712,422
Total net sales	<u>17,275,555</u>	<u>2,049,679</u>	<u>19,325,234</u>

5. The Company's effective tax rates were approximately 16.9% and 25.4% for the third quarter of 2021 and 2020, respectively, and 20.9% and (32.7)% for the nine months ended September 30, 2021 and 2020, respectively. 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 rates in the 2020 periods were higher than the statutory rates.

The Company's federal income tax returns for the 2018, 2019 and 2020 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 2018, 2019 and 2020 federal income tax returns will expire on September 15, 2022, 2023 and 2024, respectively.

The Company's state income tax returns for the 2018 through 2020 tax years remain subject to examination by various state authorities with the latest closing period on October 31, 2024. The Company is currently not 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>September 30, 2021</u>	<u>December 31, 2020</u>
Raw material	\$ 3,922,808	\$ 2,245,709
Work-in-process	2,190,572	1,410,868
Finished goods	2,239,890	2,096,717
Inventories, gross	<u>8,353,270</u>	<u>5,753,294</u>
Valuation reserves	<u>(608,000)</u>	<u>(600,000)</u>
Inventories, net	<u>\$ 7,745,270</u>	<u>\$ 5,153,294</u>

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

7. Segment Information—The Company operates in two business segments as determined by its products. The fastener segment includes cold-formed parts, rivets 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
Three Months Ended September 30, 2021:				
Net sales	\$ 7,552,619	\$ 1,003,112	\$ -	\$ 8,555,731
Depreciation	291,512	33,534	5,448	330,494
Segment operating profit	480,288	215,869	-	696,157
Selling and administrative expenses	-	-	(491,547)	(491,547)
Interest income	-	-	3,049	3,049
Income before income taxes				<u>\$ 207,659</u>
Capital expenditures	77,007	-	165,395	242,402
Segment assets:				
Accounts receivable, net	5,623,045	451,698	-	6,074,743
Inventories, net	6,553,617	1,191,653	-	7,745,270
Property, plant and equipment, net	9,986,600	1,468,262	1,263,290	12,718,152
Other assets	-	-	6,093,884	6,093,884
				<u>\$ 32,632,049</u>
Three Months Ended September 30, 2020:				
Net sales	\$ 7,024,416	\$ 620,843	\$ -	\$ 7,645,259
Depreciation	297,533	32,869	8,377	338,779
Segment operating profit	783,234	103,759	-	886,993
Selling and administrative expenses	-	-	(493,370)	(493,370)
Interest income	-	-	20,512	20,512
Income before income taxes				<u>\$ 414,135</u>
Capital expenditures	28,165	-	92,140	120,305
Segment assets:				
Accounts receivable, net	5,059,552	287,364	-	5,346,916
Inventories, net	3,880,189	1,064,617	-	4,944,806
Property, plant and equipment, net	10,381,970	1,588,157	1,064,667	13,034,794
Other assets	-	-	8,108,571	8,108,571
				<u>\$ 31,435,087</u>

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

	<u>Fastener</u>	<u>Assembly Equipment</u>	<u>Other</u>	<u>Consolidated</u>
Nine Months Ended September 30, 2021:				
Net sales	\$ 22,843,341	\$ 3,381,729	\$ -	\$ 26,225,070
Depreciation	874,037	100,600	16,346	990,983
Segment operating profit	1,982,084	852,571	-	2,834,655
Selling and administrative expenses	-	-	(1,547,845)	(1,547,845)
Interest income	-	-	17,484	17,484
Income before income taxes				<u>\$ 1,304,294</u>
Capital expenditures	410,281	-	177,334	587,615
Nine Months Ended September 30, 2020:				
Net sales	\$ 17,275,555	\$ 2,049,679	\$ -	\$ 19,325,234
Depreciation	891,177	98,607	25,132	1,014,916
Segment operating profit	533,742	319,340	-	853,082
Selling and administrative expenses	-	-	(1,547,606)	(1,547,606)
Interest income	-	-	79,711	79,711
Loss before income taxes				<u>\$ (614,813)</u>
Capital expenditures	225,707	-	149,950	375,657

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 response domestically and internationally to combat it caused a significant negative impact on the global economy, including the automotive industry upon which we rely for sales. Beginning in March 2020, most states issued executive orders which temporarily closed businesses deemed non-essential in an effort to limit 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 were 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 of 2020 due to employee safety concerns. While most shut-down orders were lifted late in that quarter, various work-related restrictions continued and the economic fallout spread. During this period of rapidly changing business conditions and heightened uncertainty resulting from COVID-19, we took measures to reduce expenses and conserve capital, including reduced work schedules, delayed capital expenditures and a reduction in dividend payments. In the second half of 2020, we experienced improved demand as certain government-imposed restrictions were relaxed. While the economy has improved dramatically since this time last year, labor shortages and supply chain disruptions persist. The timing and sustainability of a broader economic recovery is uncertain and may continue to 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 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 third quarter of 2021 were \$8,555,731 compared to \$7,645,259 in the third quarter of 2020, an increase of \$910,472, or 11.9%. As of September 30, 2021, year to date sales totaled \$26,225,070 compared to \$19,325,234, for the first three quarters of 2020, an increase of \$6,899,836, or 35.7%. Current year-to-date sales reflect an improvement of 2.1% compared to the \$25,686,034 reported for the first three quarters of 2019. Net income for the third quarter of 2021 was \$172,659, or \$0.18 per share compared to \$309,135, or \$0.32 per share in the third quarter of 2020. The decline in net income in the quarter was primarily due to higher operating costs in the current year, especially related to raw materials, transportation and labor. Net income for the first three quarters of 2021 was \$1,032,294, or \$1.07 per share, compared to a net loss of \$413,813, or \$0.43 per share, for the same period in 2020 and net income of \$832,198, or \$0.86 per share, reported in 2019.

Fastener segment revenues were \$7,552,619 in the third quarter of 2021 compared to \$7,024,416 in the year earlier quarter, an increase of \$528,203, or 7.5%. While sales to non-automotive customers improved by \$929,110, or 39.3% compared to the year earlier quarter, sales to automotive customers declined by \$400,907, or 8.6%, as supply chain disruptions reduced demand from such customers. For the first three quarters of 2021, fastener segment revenues were \$22,843,341 compared to \$17,275,555 in 2020, an increase of \$5,567,786, or 32.2%. The year-to-date increase is primarily due to the negative impact of the COVID-19 pandemic on 2020 demand. 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 of 2020 due to the pandemic. As a result, current year sales to automotive customers have increased \$2,756,479, or 25.9%. Sales to our non-automotive customers have increased \$2,811,307, or 42.5%, in the current year. The increase in fastener segment sales did not result in an increase in gross margins in the third quarter due to higher operating costs. Fastener segment gross margins were \$1,195,425 in the third quarter of 2021 compared to \$1,479,652 in the third quarter of 2020. We have seen an increase of approximately 34% in the price of steel, our primary raw material. Labor costs have increased due to the tight labor market and transportation costs have also increased significantly. Year-to-date, gross margins have improved to \$4,113,646 from \$2,531,440 in the first three quarters of 2020. The improvement in gross margins on a year-to-date basis is primarily due to the increase in sales which more than offsets the higher costs incurred to date.

Assembly equipment segment revenues were \$1,003,112 in the third quarter of 2021 compared to \$620,843 in the third quarter of 2020, an increase of \$382,269, or 61.6%. For the first nine months of 2021, assembly equipment segment sales were \$3,381,729 compared to \$2,049,679 for the same period in 2020, an increase of \$1,332,050, or 65.0%. In addition to the general rebound in demand for assembly equipment we have experienced since the pandemic-related shut downs of early 2020, revenue growth has also come from the sale of more specialty machines in 2021. The increase in revenue was the primary cause of the increase in assembly equipment segment gross margins to \$290,606 in the third quarter of 2021 from \$160,841 in the third quarter of 2020. For the first three quarters of 2021, gross margins were \$1,083,899 compared to \$489,630 in 2020, an increase of \$594,269.

Selling and administrative expenses for the third quarter of 2021 were \$1,290,046 compared to \$1,258,995 in the year earlier quarter, an increase of \$31,051, or 2.5%. The increase was primarily due to IT consulting expenses incurred during the quarter. Selling and administrative expenses for the first three quarters of 2021 were \$3,936,995 compared to \$3,758,752 for the same period of 2020, an increase of \$178,243, or 4.7%. Commission expense increased \$99,459 in the current year due to the improvement in sales in 2021, accounting for the majority of the increase. Profit sharing expense has increased \$40,000 due to the improvement in operating profit in the current year. The remaining net increase relates to various smaller changes in expense items. Selling and administrative expenses as a percentage of net sales for the first nine months of 2021 was 15.0% compared to 19.4% for the first nine months of 2020.

#### Other Income

Other income in the third quarter of 2021 was \$11,674 compared to \$32,637 in the third quarter of 2020. Other income for the first three quarters of 2021 was \$43,744 compared to \$122,869 in the same period of 2020. 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 Company's effective tax rates were approximately 16.9% and 25.4% for the third quarter of 2021 and 2020, respectively. The Company's effective tax rates were approximately 20.9% and (32.7)% for the nine months ended September 30, 2021 and 2020, respectively. 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 rates in the 2020 periods were higher than the statutory rates.

## Liquidity and Capital Resources

Working capital as of September 30, 2021 was \$17,299,668, an increase of \$733,379 from the beginning of the year. During the first three quarters of 2021, inventory increased by \$2,591,976 due to raw material price increases and accelerated purchases in anticipation of further price increases and ongoing supply chain disruptions. Other items impacting working capital in 2021 were capital expenditures of \$587,615, which consisted primarily of equipment used in faster production activities, and dividends paid of \$637,647. The net result of these changes and other cash flow items was to leave cash, cash equivalents and certificates of deposit at \$5,616,282 as of September 30, 2021 compared to \$7,300,731 at the beginning of the year. Management believes that current cash, cash equivalents and operating cash flow will provide adequate working capital for the next twelve months.

## Results of Operations Summary

We experienced an increase in overall demand during the third quarter as the economy continued to improve from the worst period of the pandemic. However, our sales to automotive customers, our primary customer market, declined due to various customer plant shut-downs related to their shortage of critical components. These shortages are expected to continue in the near-term and may continue to negatively impact demand. Although overall sales increased during the third quarter compared to a year earlier, higher operating expenses resulted in a decline in net income for the quarter. We have experienced significantly higher prices for various commodities compared to last year in addition to longer lead times for certain items. Cost increases can be difficult to recover and are expected to persist while supply constraints exist. Additionally, a general labor shortage has kept staffing below ideal levels and resulted in higher than anticipated labor costs. These factors, as well as the ongoing uncertainties related to COVID-19, are expected to continue to present challenges in the near-term.

## 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.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 Document
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 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: November 9, 2021

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

Date: November 9, 2021

/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: November 9, 2021

/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: November 9, 2021

/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 September 30, 2021 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: November 9, 2021

**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 September 30, 2021 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: November 9, 2021