

CHICAGO RIVET & MACHINE CO

Form 10-Q

May 10, 2013

Table of Contents

**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 March 31, 2013

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)

Edgar Filing: CHICAGO RIVET & MACHINE CO - Form 10-Q

<b>Illinois</b> (State or Other Jurisdiction of Incorporation or Organization)	<b>36-0904920</b> (I.R.S. Employer Identification No.)
<b>901 Frontenac Road, Naperville, Illinois</b> (Address of Principal Executive Offices)	<b>60563</b> (Zip Code)
<b>(630) 357-8500</b>	
<b>Registrant's Telephone Number, Including Area Code</b>	

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 and posted on its corporate website, if any, 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, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if smaller reporting company) Smaller reporting company   
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 April 30, 2013, there were 966,132 shares of the registrant's common stock outstanding.

**Table of Contents**

CHICAGO RIVET & MACHINE CO.

INDEX

	Page
PART I FINANCIAL INFORMATION (Unaudited)	
<u>Condensed Consolidated Balance Sheets at March 31, 2013 and December 31, 2012</u>	2-3
<u>Condensed Consolidated Statements of Income for the Three Months Ended March 31, 2013 and 2012</u>	4
<u>Condensed Consolidated Statements of Retained Earnings for the Three Months Ended March 31, 2013 and 2012</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2013 and 2012</u>	6
<u>Notes to the Condensed Consolidated Financial Statements</u>	7-8
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	9-10
<u>Controls and Procedures</u>	11
PART II <u>OTHER INFORMATION</u>	12-18

**Table of Contents**

## Item 1. Financial Statements.

## CHICAGO RIVET &amp; MACHINE CO.

## Condensed Consolidated Balance Sheets

March 31, 2013 and December 31, 2012

	March 31, 2013 (Unaudited)	December 31, 2012
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,755,131	\$ 392,810
Certificates of deposit	5,385,000	7,088,000
Accounts receivable, net of allowance of \$150,000	5,863,016	4,577,932
Inventories, net	5,284,492	4,936,372
Deferred income taxes	428,191	416,191
Other current assets	318,003	422,332
<b>Total current assets</b>	<b>19,033,833</b>	<b>17,833,637</b>
Property, Plant and Equipment:		
Land and improvements	1,238,150	1,238,150
Buildings and improvements	6,257,974	6,244,064
Production equipment and other	29,564,445	29,495,765
	37,060,569	36,977,979
Less accumulated depreciation	29,165,694	28,900,113
Net property, plant and equipment	7,894,875	8,077,866
<b>Total assets</b>	<b>\$ 26,928,708</b>	<b>\$ 25,911,503</b>

See Notes to the Condensed Consolidated Financial Statements

**Table of Contents**

## CHICAGO RIVET &amp; MACHINE CO.

## Condensed Consolidated Balance Sheets

March 31, 2013 and December 31, 2012

	2013 (Unaudited)	2012
<b>Liabilities and Shareholders Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 1,534,591	\$ 1,003,647
Accrued wages and salaries	655,726	409,695
Other accrued expenses	475,072	460,245
Unearned revenue and customer deposits	73,696	84,905
<b>Total current liabilities</b>	<b>2,739,085</b>	<b>1,958,492</b>
Deferred income taxes	880,275	952,275
<b>Total liabilities</b>	<b>3,619,360</b>	<b>2,910,767</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	25,646,216	25,337,604
Treasury stock, 171,964 shares at cost	(3,922,098)	(3,922,098)
<b>Total shareholders equity</b>	<b>23,309,348</b>	<b>23,000,736</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 26,928,708</b>	<b>\$ 25,911,503</b>

See Notes to the Condensed Consolidated Financial Statements

**Table of Contents**

## CHICAGO RIVET &amp; MACHINE CO.

## Condensed Consolidated Statements of Income

For the Three Months Ended March 31, 2013 and 2012

(Unaudited)

	2013	2012
Net sales	\$ 9,125,736	\$ 9,200,318
Cost of goods sold	7,115,475	7,122,029
Gross profit	2,010,261	2,078,289
Selling and administrative expenses	1,351,814	1,391,598
Operating profit	658,447	686,691
Other income:		
Interest income	8,485	8,852
Gain from the disposal of equipment		30,000
Other income	3,600	4,191
Income before income taxes	670,532	729,734
Provision for income taxes	217,000	236,000
Net income	\$ 453,532	\$ 493,734
Average common shares outstanding	966,132	966,132
Per share data:		
Net income per share	\$ 0.47	\$ 0.51
Cash dividends declared per share	\$ 0.15	\$ 0.15

See Notes to the Condensed Consolidated Financial Statements

**Table of Contents**

CHICAGO RIVET & MACHINE CO.

Condensed Consolidated Statements of Retained Earnings

For the Three Months Ended March 31, 2013 and 2012

(Unaudited)

	2013	2012
Retained earnings at beginning of period	\$ 25,337,604	\$ 24,461,381
Net income	453,532	493,734
Cash dividends declared in the period; \$.15 per share in 2013 and 2012	(144,920)	(144,920)
Retained earnings at end of period	\$ 25,646,216	\$ 24,810,195

See Notes to the Condensed Consolidated Financial Statements

**Table of Contents**

## CHICAGO RIVET &amp; MACHINE CO.

## Condensed Consolidated Statements of Cash Flows

For the Three Months Ended March 31, 2013 and 2012

(Unaudited)

	2013	2012
Cash flows from operating activities:		
Net income	\$ 453,532	\$ 493,734
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	265,581	243,996
Gain on disposal of equipment		(30,000)
Deferred income taxes	(84,000)	(14,000)
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,285,084)	(1,811,766)
Inventories, net	(348,120)	146,594
Other current assets	104,329	24,428
Accounts payable	499,342	282,297
Accrued wages and salaries	246,031	278,469
Other accrued expenses	14,827	78,395
Unearned revenue and customer deposits	(11,209)	(61,549)
Net cash used in operating activities	(144,771)	(369,402)
Cash flows from investing activities:		
Capital expenditures	(50,988)	(102,156)
Proceeds from the sale of equipment		30,000
Proceeds from certificates of deposit	2,450,000	1,147,000
Purchases of certificates of deposit	(747,000)	(1,065,000)
Net cash provided by investing activities	1,652,012	9,844
Cash flows from financing activities:		
Cash dividends paid	(144,920)	(144,920)
Net cash used in financing activities	(144,920)	(144,920)
Net increase (decrease) in cash and cash equivalents	1,362,321	(504,478)
Cash and cash equivalents at beginning of period	392,810	704,345
Cash and cash equivalents at end of period	\$ 1,755,131	\$ 199,867
Supplemental schedule of non-cash investing activities:		
Capital expenditures in accounts payable	\$ 31,602	\$ 34,609
See Notes to the Condensed Consolidated Financial Statements		



**Table of Contents**

## CHICAGO RIVET &amp; 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 March 31, 2013 (unaudited) and December 31, 2012 (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, 2012.

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 month period ended March 31, 2013 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. The Company's effective tax rates were approximately 32.4% and 32.3% for the first quarter of 2013 and 2012, respectively. Rates were lower than the U.S. federal statutory rate primarily due to the Domestic Production Activities Deduction allowed under Internal Revenue Code Section 199.

The Company's federal income tax returns for the 2010, 2011 and 2012 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 2010, 2011 and 2012 federal income tax returns will expire on September 15, 2014, 2015 and 2016, respectively.

The Company's state income tax returns for the 2010 through 2012 tax years remain subject to examination by various state authorities with the latest closing period on October 31, 2016. 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.

5. 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:

	March 31, 2013	December 31, 2012
Raw material	\$ 2,095,188	\$ 2,009,691
Work-in-process	2,263,903	1,869,830
Finished goods	1,485,401	1,606,851
Inventories, gross	5,844,492	5,486,372
Valuation reserves	560,000	550,000

Edgar Filing: CHICAGO RIVET & MACHINE CO - Form 10-Q

Inventory, net	\$ 5,284,492	\$ 4,936,372
----------------	--------------	--------------

**Table of Contents**

## CHICAGO RIVET &amp; MACHINE CO.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

6. Segment Information The Company operates in two business segments as determined by its products. The fastener segment includes rivets, cold-formed fasteners 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 March 31, 2013:</b>				
Net sales	\$ 8,302,744	\$ 822,992	\$	\$ 9,125,736
Depreciation	232,479	14,050	19,052	265,581
Segment profit	996,164	212,416		1,208,580
Selling and administrative expenses			(546,533)	(546,533)
Interest income			8,485	8,485
Income before income taxes				\$ 670,532
Capital expenditures	48,979	29,547	4,064	82,590
<b>Segment assets:</b>				
Accounts receivable, net	5,481,700	381,316		5,863,016
Inventories, net	4,485,868	798,624		5,284,492
Property, plant and equipment, net	6,179,780	1,121,815	593,280	7,894,875
Other assets			7,886,325	7,886,325
				\$ 26,928,708
<b>Three Months Ended March 31, 2012:</b>				
Net sales	\$ 8,334,120	\$ 866,198	\$	\$ 9,200,318
Depreciation	211,914	14,125	17,957	243,996
Segment profit	1,050,436	201,332		1,251,768
Selling and administrative expenses			(560,886)	(560,886)
Gain from the disposal of equipment			30,000	30,000
Interest income			8,852	8,852
Income before income taxes				\$ 729,734
Capital expenditures	136,765			136,765
<b>Segment assets:</b>				
Accounts receivable, net	5,806,019	404,173		6,210,192
Inventories, net	4,306,404	759,042		5,065,446
Property, plant and equipment, net	6,078,245	1,083,189	626,860	7,788,294
Other assets			6,740,367	6,740,367



---

**Table of Contents**

CHICAGO RIVET & MACHINE CO.

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

Revenues for the first quarter of 2013 were \$9,125,736 compared to \$9,200,318 in the first quarter of 2012. The less than 1% decline was primarily due to there being fewer shipping days in the current year quarter. This decline in revenues resulted in net income of \$453,532, or \$0.47 per share, in the first quarter of this year compared to \$493,734, or \$0.51 per share, in the first quarter of 2012.

Fastener segment revenues were \$8,302,744 in the first quarter of 2013, declining fractionally from \$8,334,120 reported in the first quarter of 2012. This ends a string of quarterly increases in sales over the previous year quarter that extended more than three years. The decline was primarily due to fewer shipping days in the current year as well as a slowdown in the increase in domestic automotive production, upon which we rely for the majority of our fastener segment sales. Tooling costs increased \$186,000 in the quarter, largely due to the introduction of new parts. These higher costs were offset by reductions in the price of certain raw materials, principally steel, in the first quarter of this year compared to last year. Our cost control efforts were successful in keeping other cost of sales items little changed as a percentage of net sales. The net result of these factors was a decline in fastener segment gross margin of approximately \$79,000.

Assembly equipment segment revenues were \$822,992 in the first quarter of 2013 compared to \$866,198 in the first quarter of 2012. The 5% revenue decline was due to fewer machines being shipped in the current year quarter and lower machine tool sales. Despite the decline in revenues, assembly equipment segment margins improved over the first quarter of 2012 by approximately \$11,000 due to lower material costs and reductions in certain variable overhead expenses. Machine orders as of March 31, 2013 exceeded the level recorded one year earlier.

Selling and administrative expenses during the first quarter of 2013 were \$1,351,814, a decline of 2.9% compared to \$1,391,598 recorded in the first quarter of 2012. Sales commissions increased by approximately \$18,000 for the quarter compared to the first quarter of 2012, but that increase was more than offset by a reduction in payroll and related expenses of approximately \$37,000 and various smaller items. Compared to net sales, selling and administrative expenses declined to 14.8% for the current year quarter compared to 15.1% in the first quarter of 2012.

Working capital amounted to \$16.3 million as of March 31, 2013, an increase of approximately \$4 million from the beginning of the current year. The largest component of the net change in the first quarter was accounts receivable, which increased by \$1.3 million due to greater sales activity during the quarter, compared to the fourth quarter of 2012. Partially offsetting this change was an increase of \$.8 million in accounts payable and accrued expenses since the beginning of the year. These balances are consistent with the level of activity during the quarter. The net result of these changes and other cash flow items on cash and certificates of deposit was a decrease of \$.3 million, to \$7.1 million, as of March 31, 2013. After the end of the quarter, \$1.3 million of cash was invested in the purchase of equipment for the production of cold-formed parts. Management believes that current cash, cash equivalents and operating cash flow will provide adequate working capital for the foreseeable future.

We are pleased to report positive results for the first quarter of 2013. With an improved order backlog compared to a year ago, as well as forecasted growth in domestic automotive sales, our outlook for the near-term remains positive. Although overall economic growth has remained slow, our sound financial condition has allowed us to invest in our operations in an effort to remain competitive, as well as pursue opportunities to profitably grow our revenues and improve our bottom line. We will continue to make adjustments to our activities which we feel are necessary based on conditions in our markets, while maintaining the high level of quality and reliability of service our customers demand.

*This discussion contains certain forward-looking statements which are inherently subject to risks and uncertainties that may cause actual events to differ materially from those discussed herein. Factors which may cause such differences in events include, those disclosed under Risk Factors in our Annual Report on Form 10-K and in the other filings we make with the United States Securities and Exchange Commission. These factors, include among other things: conditions in the domestic automotive industry, upon which we rely for sales revenue, the intense competition in our markets, the concentration of our sales to two major customers, the price and availability of raw materials, labor relations issues, losses related to product liability, warranty and recall claims, costs relating to environmental laws and regulations, the loss of the services of our key employees and difficulties in achieving cost savings. Many of these*

**Table of Contents**

*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.*

**Table of Contents**

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.

**Table of Contents**

PART II OTHER INFORMATION

Item 4. 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 March 31, 2013 formatted in Extensible Business Reporting Language (XBRL): (1) Condensed Consolidated Balance Sheets, (2) Condensed Consolidated Statements of Income, (3) Condensed Consolidated Statements of Retained Earnings, (4) Condensed Consolidated Statements of Cash Flows, and (5) Notes to Condensed Consolidated Financial Statements.\*

\* Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.



**Table of Contents**

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.

Date: May 10, 2013

CHICAGO RIVET & MACHINE CO.

(Registrant)

/s/ John A. Morrissey

John A. Morrissey

Chairman of the Board of Directors and Chief Executive Officer

(Principal Executive Officer)

Date: May 10, 2013

/s/ Michael J. Bourg

Michael J. Bourg

President, Chief Operating Officer and Treasurer

(Principal Financial Officer)

**Table of Contents**

CHICAGO RIVET & MACHINE CO.

EXHIBITS

INDEX TO EXHIBITS

Exhibit Number		Page
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	15
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	16
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	17
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	18
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 March 31, 2013 formatted in Extensible Business Reporting Language (XBRL): (1) Condensed Consolidated Balance Sheets, (2) Condensed Consolidated Statements of Income, (3) Condensed Consolidated Statements of Retained Earnings, (4) Condensed Consolidated Statements of Cash Flows, and (5) Notes to Condensed Consolidated Financial Statements.*	

\* Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.