CHICAGO RIVET & MACHINE CO
Form 10-Q
May 09, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2008

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 0-1227

Chicago Rivet & Machine Co.
(Exact Name of Registrant as Specified in Its Charter)

Illinois	36-0904920
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
901 Frontenac Road, Naperville, Illinois	60563
(Address of Principal Executive Offices)	(Zip Code)

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

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 [X] 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 [X]

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

As of March 31, 2008, 966,132 shares of the registrant's common stock were outstanding.

CHICAGO RIVET & MACHINE CO.

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Item 1. Financial Statements.

CHICAGO RIVET & MACHINE CO.
Condensed Consolidated Balance Sheets
March 31, 2008 and December 31, 2007

	March 31, 2008 (Unaudited)	December 31, 2007
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,654,379	$ 665,072

Certificates of deposit	5,680,000	6,880,000
Accounts receivable, net of allowance of $104,000 and $95,000, respectively	5,362,814	5,329,413
Inventories	5,484,929	4,975,833
Deferred income taxes	462,191	451,191
Prepaid income taxes	10,481	211,025
Other current assets	283,283	287,542
Total current assets	18,938,077	18,800,076
Property, Plant and Equipment:		
Land and improvements	1,029,035	1,029,035
Buildings and improvements	6,391,952	6,385,831
Production equipment, leased machines and other	28,249,265	28,124,007
	35,670,252	35,538,873
Less accumulated depreciation	26,698,549	26,431,936
Net property, plant and equipment	8,971,703	9,106,937
Total assets	$27,909,780	$27,907,013

See Notes to the Condensed Consolidated Financial Statements

CHICAGO RIVET & MACHINE CO.
Condensed Consolidated Balance Sheets
March 31, 2008 and December 31, 2007

	March 31, 2008 (Unaudited)	December 31, 2007
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	$ 1,651,863	$ 1,147,014
Accrued wages and salaries	782,258	679,233
Accrued profit sharing plan contribution	15,000	201,000
Other accrued expenses	223,919	319,866
Total current liabilities	2,673,040	2,347,113
Deferred income taxes	953,275	985,275
Total liabilities	3,626,315	3,332,388
Commitments and contingencies (Note 4)	--	--
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	1,138,096	1,138,096
Additional paid-in capital	447,134	447,134

Retained earnings	26,620,333	26,911,493
Treasury stock, 171,964 shares at cost	(3,922,098)	(3,922,098)
Total shareholders' equity	24,283,465	24,574,625
Total liabilities and shareholders' equity	$27,909,780	$27,907,013

See Notes to the Condensed Consolidated Financial Statements

CHICAGO RIVET & MACHINE CO.
Condensed Consolidated Statements of Income
For the Three Months Ended March 31, 2008 and 2007
(Unaudited)

	2008	2007
Net sales	$8,391,778	$9,924,333
Lease revenue	22,548	23,243
	8,414,326	9,947,576
Cost of goods sold and costs related to lease revenue	7,102,362	8,053,389
Gross profit	1,311,964	1,894,187
Selling and administrative expenses	1,347,823	1,464,472
Plant closing expenses	--	18,074
Operating profit (loss)	(35,859)	411,641
Other income and expenses:		
Interest income	75,922	74,431
Other income	3,600	1,200
Income before income taxes	43,663	487,272
Provision for income taxes	16,000	177,000
Net Income	$ 27,663	$ 310,272
Average common shares outstanding	966,132	966,132
Per share data:		
Net income per share	$ 0.03	$ 0.32
Cash dividends declared per share	$ 0.33	$ 0.18

See Notes to the Condensed Consolidated Financial Statements

CHICAGO RIVET & MACHINE CO.
Condensed Consolidated Statements of Retained Earnings
For the Three Months Ended March 31, 2008 and 2007
(Unaudited)

	2008	2007
Retained earnings at beginning of period	$26,911,493	$26,340,036
Net income for the three months ended	27,663	310,272
Cash dividends declared in the period; $.33 per share in 2008 and $.18 per share in 2007	(318,823)	(173,903)
Retained earnings at end of period	$26,620,333	$26,476,405

See Notes to the Condensed Consolidated Financial Statements

CHICAGO RIVET & MACHINE CO.
Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2008 and 2007
(Unaudited)

	2008	2007
Cash flows from operating activities:		
Net income	$ 27,663	$ 310,272
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	266,613	280,583
Net gain on the sale of equipment	--	(8,020)
Deferred income taxes	(43,000)	(29,000)
Changes in operating assets and liabilities:		
Accounts receivable, net	(33,401)	(341,937)
Inventories	(509,096)	(451,183)
Other current assets	204,803	119,423
Accounts payable	343,290	342,739
Accrued wages and salaries	103,025	167,722
Accrued profit sharing contribution	(186,000)	(170,756)
Other accrued expenses	(95,947)	20,566
Net cash provided by operating activities	77,950	240,409
Cash flows from investing activities:		
Capital expenditures	(114,740)	(3,047)
Proceeds from the sale of equipment	--	8,020
Proceeds from certificates of deposit	4,600,000	5,255,000
Purchases of certificates of deposit	(3,400,000)	(5,230,000)
Net cash provided by investing activities	1,085,260	29,973

Cash flows from financing activities:		
Cash dividends paid	(173,903)	(173,903)
Net cash used in financing activities	(173,903)	(173,903)
Net increase in cash and cash equivalents	989,307	96,479
Cash and cash equivalents at beginning of period	665,072	367,581
Cash and cash equivalents at end of period	$ 1,654,379	$ 464,060
Supplemental schedule of non-cash investing activities: Capital expenditures in accounts payable	$ 16,639	$ 156,571

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 March 31, 2008 (unaudited) and December 31, 2007 (audited) and the results of operations and changes in cash flows for the indicated periods.

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.

Certain items in 2007 have been reclassified to conform to the presentation in 2008. These changes have no effect on the results of operations or the financial position of the Company.

2. The results of operations for the three month period ended March 31, 2008 are not necessarily indicative of the results to be expected for the year.

3. 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.

4. 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.

5. The Company's federal income tax returns for the 2005, 2006 and 2007 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. The 2004 federal income tax return was examined by the IRS and no adjustments were made as a result of the examination.

No statutes have been extended on any of the Company's federal income tax filings. The statute of limitations on the Company's 2005, 2006 and 2007 federal income tax returns will expire on September 15, 2009, 2010 and 2011, respectively.

The Company's state income tax returns for the 2005 through 2007 tax years remain subject to examination by various state authorities with the latest closing period on October 31, 2011. 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:

	March 31, 2008	December 31, 2007
Raw Material	$1,541,610	$1,275,595
Work-in-process	1,920,966	1,597,483
Finished goods	2,512,353	2,577,755
	5,974,929	5,450,833
Valuation reserves	(490,000)	(475,000)
	$5,484,929	$4,975,833

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

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

	Fastener	Assembly Equipment	Other	Consolidated
Three Months Ended March 31, 2008:				
Net sales and lease revenue	$7,326,127	$1,088,199		$ 8,414,326
Depreciation	226,650	18,522	21,441	266,613
Segment profit	326,878	202,105		528,983

Selling and administrative expenses			(561,242)	(561,242)
Interest income			75,922	75,922
Income before income taxes				43,663
Capital expenditures	131,379			131,379
Segment assets:				
Accounts receivable, net	4,942,192	420,622		5,362,814
Inventories	4,017,096	1,467,833		5,484,929
Property, plant and equipment, net	7,037,168	1,107,778	826,757	8,971,703
Other assets			8,090,334	8,090,334
				27,909,780
Three Months Ended March 31, 2007:				
Net sales and lease revenue	$8,725,371	$1,222,205		$ 9,947,576
Depreciation	235,898	21,069	23,616	280,583
Segment profit	751,453	235,097		986,550
Selling and administrative expenses			(555,635)	(555,635)
Plant closing expenses	(18,074)			(18,074)
Interest income			74,431	74,431
Income before income taxes				487,272
Capital expenditures	159,618	--		159,618
Segment assets:				
Accounts receivable, net	5,692,469	552,096		6,244,565
Inventories	4,282,783	1,649,709		5,932,492
Property, plant and equipment, net	7,636,359	1,161,345	918,591	9,716,295
Other assets			6,641,335	6,641,335
				28,534,687

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

Revenues for the first quarter of 2008 were $8,414,326, a decline of $1,533,250, or 15%, compared to the first quarter of last year. Reduced demand in the domestic automotive market, and a decline in domestic economic activity impacting virtually all the markets we serve, resulted in lower fastener segment and assembly equipment segment sales. Although we reduced expenses wherever possible during the quarter, cost reductions were not sufficient to offset the effects of the decline in sales. The net result was net income of $27,663, or $0.03 per share, in the first quarter of 2008 compared to net income of $310,272, or $0.32 per share, in 2007.

In the first quarter, fastener segment revenues declined $1,399,244, or 16%, from $8,725,371 in 2007 to $7,326,127 in 2008. The decline was primarily due to a reduction in domestic automotive production and a slowdown in the U.S. economy. Overall, manufacturing costs declined during the quarter due to the lower level of production activity. Additionally, the closing of the Jefferson, Iowa plant in 2007 resulted in approximately $56,000 in overhead cost reductions during the first quarter of 2008. The only significant increase during the quarter was tooling expense, which increased $76,000 as certain design work was performed in an attempt to improve production efficiency. The net result of these factors was a $521,000 reduction in fastener segment gross margin.

Demand within the assembly equipment segment continues to be weak as evidenced by the 11% decline in sales, from $1,222,205 to $1,088,199, in the first quarter of 2008. While manufacturing costs declined due to the lower level of production activity, the reduction was not sufficient to offset the lower volume, resulting in a $61,000 decline in gross margin compared to the first quarter of 2007.

Selling and administrative expenses during the first quarter of 2008 were $117,000 lower than the first quarter of 2007. Payroll and payroll related expenses account for approximately $43,000 of the decline, as a result of headcount reductions since the first quarter of last year. Commissions have declined $39,000 due to the lower sales activity in the current year quarter, while profit sharing expense has declined $40,000 due to the lower level of profitability.

First quarter 2007 results included $18,074 for expenses related to the previously disclosed Jefferson, Iowa plant closing. These expenses related to preparing the building for sale and the transfer of assets to our Tyrone, Pennsylvania location.

Working capital declined by $.2 million from the beginning of the year and amounted to $16.3 million at the end of the first quarter. While inventories and accounts payable have both increased $.5 million since the beginning of the year, their balances are down approximately $.4 million and $.3 million, respectively, compared to March 31, 2007. The decline since the beginning of the year in accrued profit sharing of $.2 million reflects the contribution for 2007 made to the Company plan during the first quarter. This amount is offset by a reduction in prepaid income taxes since the beginning of the year. The net result of these changes and other cash flow items on cash and certificates of deposit was a decrease of $.2 million, to $7.3 million, as of March 31, 2008. The Company has a $1.0 million line of credit, which expires May 31, 2008. This line of credit remains unused. Management believes that current cash, cash equivalents and operating cash flow will provide adequate working capital for the foreseeable future.

The decline in revenues and net income in the first quarter of 2008 is primarily due to the impact of the weakening economy on our primary markets. Fastener segment sales have already been impacted in recent quarters by reduced production in the domestic automotive market as manufacturers adjusted their activities for reduced demand. With the slowdown in the domestic economy, we have seen a reduction in demand from other markets we serve. The assembly equipment segment has been weak for some time now, and reflects the continuing decline in manufacturing activity overall in the United States. We have adjusted our work schedules in response to reduced customer demand and will continue to emphasize cost controls wherever possible. In the near-term, we do not anticipate any significant improvements in the markets in which we are active, but will continue our efforts to increase revenues while also controlling costs.

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 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.

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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 (the Company's principal 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 principal executive officer and principal financial officer 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.

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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.

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: May 9, 2008

/s/ John A. Morrissey

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

Date: May 9, 2008

/s/ Michael J. Bourg

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

CHICAGO RIVET & MACHINE CO.

EXHIBITS

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