

[Table of Contents](#)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

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

For the fiscal year ended November 30, 2024

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 000-5131

ART'S-WAY MANUFACTURING CO., INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

42-0920725
(I.R.S. Employer Identification No.)

**P.O. Box 288
5556 Highway 9
Armstrong, Iowa 50514**
(Address of principal executive offices, including zip code)

(712) 864-3131
(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 \$.01 par value	ARTW	The Nasdaq Stock Market LLC

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

[Table of Contents](#)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

Indicated by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of the last business day of the registrant's most recently completed second fiscal quarter, based on the closing sale price on May 31, 2024 as reported on the Nasdaq Stock Market LLC (\$1.74 per share), was approximately \$4,154,977.

As of February 4, 2025 there were 5,082,459 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the registrant's 2025 Annual Meeting of Stockholders to be filed within 120 days of November 30, 2024 are incorporated by reference into Part III of this Annual Report on Form 10-K.

[Table of Contents](#)

Art's-Way Manufacturing Co., Inc.
Index to Annual Report on Form 10-K

	Page
<u>Part I</u>	
<u>Item 1. BUSINESS</u>	2
<u>Item 1A. RISK FACTORS</u>	6
<u>Item 1B. UNRESOLVED STAFF COMMENTS</u>	6
<u>Item 1C. CYBERSECURITY</u>	6
<u>Item 2. PROPERTIES</u>	6
<u>Item 3. LEGAL PROCEEDINGS</u>	6
<u>Item 4. MINE SAFETY DISCLOSURES</u>	6
<u>Part II</u>	
<u>Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	7
<u>Item 6. [RESERVED]</u>	7
<u>Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	7
<u>Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	12
<u>Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	13
<u>Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	39
<u>Item 9A. CONTROLS AND PROCEDURES</u>	39
<u>Item 9B. OTHER INFORMATION</u>	39
<u>Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS</u>	39
<u>Part III</u>	
<u>Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>	40
<u>Item 11. EXECUTIVE COMPENSATION</u>	40
<u>Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	40
<u>Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u>	40
<u>Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	40
<u>Part IV</u>	
<u>Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES</u>	41

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K (this "report") may contain forward-looking statements that reflect future events, future business, industry and other conditions, our future performance, and our plans and expectations for future operations and actions. In some cases forward-looking statements may be identified by the use of words such as "may," "should," "anticipate," "believe," "expect," "plan," "future," "intend," "could," "estimate," "predict," "hope," "potential," "continue", "foresee," or the negative of these terms or other similar expressions. Forward-looking statements in this report generally relate to: our business condition and results of operations; our expectations regarding our warranty costs and order backlog; our beliefs regarding the sufficiency of working capital and cash flows; our expectations regarding our continued ability to renew or obtain financing on reasonable terms when necessary as well as our continued positive relationship with our creditors and lenders; the impact of recently issued accounting pronouncements; our intentions and beliefs relating to our costs, product developments and business strategies; our expectations concerning our continued expansion into international markets; our expectations with respect to government spending and programs that may directly or indirectly be used to purchase our products; our beliefs concerning our ability to attract and maintain an adequate workforce in a competitive labor market; our expected operating and financial results; our expectations on expense savings due to recent layoffs, strategic terminations, and our early retirement program; our beliefs concerning the effects of, and costs of compliance with government regulations; our expectations concerning our primary capital and cash flow needs; our expectations of, and the timing for, receipt of any proceeds from our Employee Retention Credit ("ERC"); our beliefs regarding competitive factors and our competitive strengths; our expectations regarding our capabilities and demand for our products; our predictions regarding the impact of seasonality; our beliefs regarding the impact of the farming industry on our business; our beliefs regarding our internal controls over financial reporting; and our intentions for paying dividends. Many of these forward-looking statements are located in this report under "Item 1. BUSINESS" and "Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS," but they may appear in other sections as well.

You should read this report thoroughly with the understanding that our actual results may differ materially from those set forth in the forward-looking statements for many reasons, including events beyond our control and assumptions that prove to be inaccurate or unfounded. We cannot provide any assurance with respect to our future performance or results. Our actual results or actions could and likely will differ materially from those anticipated in the forward-looking statements for many reasons, including, but not limited to, the impact of changes in credit markets on our ability to continue to obtain financing on reasonable terms; our ability to repay current debt, continue to meet debt obligations and comply with financial covenants; obstacles related to liquidation of product lines; the effect of inflation, interest rate fluctuations and general economic conditions, including consumer and governmental spending, on the demand for our products and the cost of our supplies and materials; fluctuations in seasonal demand and our production cycle; the ability of our suppliers to meet our demands for raw materials and component parts; our original equipment manufacturer customers' decisions regarding supply chain structure, inventory levels, and overall business conditions; fluctuations in the price of raw materials, especially steel; our ability to predict and meet the demands of each market in which our segments operate; a decrease in demand for our products in international markets; the existence and outcome of product liability claims and other ordinary course litigation; changes in environmental, health and safety regulations and employment laws; our ability to fill open positions within the Company and retain our key employees; the cost of complying with laws, regulations, and standards relating to corporate governance and public disclosure, and the demand such compliance places on management's time; and other factors described in this report and from time to time in our other reports filed with the Securities and Exchange Commission. We do not intend to update the forward-looking statements contained in this report other than as required by law. We caution investors not to put undue reliance on any forward-looking statements, which speak only as of the date of this report. This report and the documents that we reference in this report and have filed as exhibits should be read completely and with the understanding that our actual future results may be materially different from what we currently expect. We qualify all of our forward-looking statements by these cautionary statements.

PART I

Item 1. BUSINESS.

General

Art's-Way Manufacturing Co., Inc., a Delaware corporation ("we," "us," "our," and the "Company"), began operations as a farm equipment manufacturer in 1956. Since that time, we have become a worldwide manufacturer of agricultural equipment and specialized modular science and agricultural buildings. Our principal manufacturing plant and corporate headquarters is located in Armstrong, Iowa.

We have organized our business into two operating segments. Management separately evaluates the financial results of each segment because each is a strategic business unit offering different products and requiring different technology and marketing strategies. Our Agricultural Products segment manufactures and distributes farm equipment under the Art's-Way name. Our Modular Buildings segment manufactures modular buildings for various uses, commonly animal containment and research laboratories, through our wholly owned subsidiary, Art's-Way Scientific, Inc., an Iowa corporation. During the third quarter of fiscal 2023, the Company ceased operations of its Tools business, which was reported in discontinued operations for the twelve months ended November 30, 2023. The remaining components of the Tools segment were prior to the twelve months ended November 30, 2024. For detailed financial information relating to segment reporting, see Note 18 "Segment Information" to our financial statements in "Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA" of this report.

Corporate information about Art's-Way can be found on our website, <http://www.artsway-mfg.com/>, while information on our agriculture products can be found on <http://www.artsway.com/>. The information contained on our website or available by hyperlink from our website is not a part of this report and is not incorporated into this report or any other documents we file with, or furnish to, the Securities and Exchange Commission (the "SEC").

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Exchange Act requires us to file periodic reports, proxy statements and other information with the "SEC". The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. These materials may be obtained electronically by accessing the SEC's website at <http://www.sec.gov>.

Business of Our Segments

Agricultural Products

Our Agricultural Products segment, which accounted for 59.9% of our net revenue in the 2024 fiscal year and 74.2% of our net revenue in the 2023 fiscal year, is located primarily in Armstrong, Iowa. This segment manufactures a variety of specialized farm machinery under our own label, including portable and stationary animal feed processing equipment and related attachments used to mill and mix feed grains into custom animal feed rations; a line of forage equipment consisting of forage boxes, bale processors, running gear, and dump boxes; a line of manure spreaders; sugar beet harvesting equipment; and a line of dirt work equipment. We sell our labeled products through independent farm equipment dealers throughout the United States, Australia, Canada, Japan and the United Kingdom. We also provide after-market service parts that are available to keep our branded equipment operating to the satisfaction of the end user of our products.

Modular Buildings

Our Modular Buildings segment, which accounted for 40.1% of our net revenue in the 2024 fiscal year and 25.8% of our net revenue in the 2023 fiscal year, is located in Monona, Iowa. This segment produces, sells and leases modular buildings, which are custom-designed to meet the specific research needs of our customers. The buildings we commonly produce range from basic swine buildings to complex containment research laboratories. Our focus is providing research facilities for academic research institutions, government research and diagnostic centers, public health institutions and private research and pharmaceutical companies, as those are our primary market sectors. We provide services from start to finish by designing, manufacturing, delivering and installing these facilities to meet customers' critical requirements. In addition to selling these facilities, we also offer a lease option to customers in need of temporary facilities.

Our Principal Agricultural Products

Arthur Luscombe built the first power take-off powered grinder mixer on his farm near Dolliver, Iowa. The product's ability to tackle even the most demanding workload made it an overwhelming success – and secured Luscombe's reputation as a farmer, entrepreneur and independent thinker who did things his way. Over the years our Agricultural Products segment has grown through developing several new products and with acquisitions. We take pride in our manure spreaders, forage equipment, bale processors, dirt work equipment, sugar beet harvesting equipment and feed mills. We provide limited original equipment manufacturer, or OEM, parts to some of the industry's leading manufacturers.

Feed mills. There's no one better than Art's Way when it comes to processing feed. Stationary mills for livestock feeding or breweries, portable units for small operations and large grinder mixers for the modern feeding operation have our customers' backs day in and day out. Hammer mills provide faster processing and easily changing micron size or roller mills offer more consistency. We offer the most complete lineup of equipment in feed processing.

Manure spreaders. The X Series spreaders have a unique vertical beater placement combined with guillotine slop gate controls to create the best spread pattern in the industry. Flared sides and densilite flooring provide easy loading and material movement. Backed by our limited lifetime warranty on the apron chain, customers can depend on this rugged machine. The upgraded rate control option powered by Raven is the only unit in the industry to have completely automatic spreading capabilities with apron speed and slop gate control.

Forage. The 2100 series are user-friendly forage boxes in different lengths and unload configurations. It is the only box in its class to offer 100% in-cab controls. Tube side stakes and corrugated sides give users confidence when side-by-side with competitor models. The 9016-HD High Dump cart boasts the largest capacity in the industry at 40,000 pounds.

Bale processors. Spread large round or square bales in the same machine attached to a skid steer, telehandler, or tractor with the patented TOP-SPREAD loader mounted spreader. The compact size fits into barns and alleyways and is easy to maneuver. On a construction site, cover roadsides or fresh seeding quickly from the seat of a skid steer.

Dirt work equipment. Level out and shape fields with the single blade or folding land planes featuring our patented floating hitch design. Reduce erosion by eliminating water pockets, furrows, and implement scars in the field. Shape yards or work sites with standard or rear steer graders that follow closely behind the tractor for leveling in smaller spaces.

Sugar beet harvesting equipment. We are proud to offer the best sugar beet cleaning in the industry during muddy harvest conditions with our patented grab roll bed. Our 12-row harvester has been improved with an automatic leveling system add-on for consistent digging across the field. The defoliator cleanly removes the leaves off the beets prior to digging them up for harvest. The leaves are incorporated back into the soil to provide nutrients for next year's crop.

Product Distribution and Markets

We distribute goods for our Agricultural Products segment primarily through a network of approximately 500 U.S. and Canadian independent dealers, as well as overseas dealers in Australia, Japan and the United Kingdom, whose customers require specialized agricultural machinery. We have sales representation in 48 states and seven Canadian provinces. Our dealers sell our products to various agricultural and commercial customers. We also maintain a local sales force in our Armstrong, Iowa facility to provide oversight services for our distribution network, communicate with end users, and recruit and train dealers on the uses of our products. Our local service parts staff is available to help customers and dealers with their service parts needs. Our Modular Buildings segment typically sells products customized to the end-users' requirements directly to the end-user.

We currently export products to nine foreign countries. We have been shipping grinder mixers abroad since 2006 and have exported portable rollermills as well. We continue to strengthen these relationships and intend to develop new international markets. Our international sales accounted for 3.3% of consolidated sales during the 2024 fiscal year compared to 3.1% in the 2023 fiscal year.

[Table of Contents](#)

Backlog. The Company's backlog of orders varies on a daily basis. The Company's Agricultural Products segment had a net backlog of approximately \$3,486,000 as of February 4, 2025 compared to \$4,364,000 on February 4, 2024. The overall agriculture economy remained stagnant for our fall early order program after three years of increased demand. High interest rates and low commodity prices are still affecting demand as we roll into fiscal 2025, however, we have seen better than expected demand for our grinder mixers. The Company's Modular Buildings segment had approximately \$2,393,000 of backlog as of February 4, 2025, compared to \$6,170,000 on that date in 2024. The Modular Buildings segment has strong leads in the engineering phase that we expect to go under contract and become part of our project backlog, which could drive similar revenue results to fiscal 2024. The Company expects that its order backlogs will continue to fluctuate as orders are received, filled, or canceled, and, due to dealer discount arrangements it may enter into from time to time. Accordingly, these figures are not necessarily indicative of future revenue.

Recent Product Developments

In 2024, we focused on cost reductions to improve pricing competitiveness of our manure spreader product line and to boost margin of our highest demanded grinder mixer products. We finished the development of a chicken litter variation for our manure spreaders and a sonar leveling system for our defoliators. We expect continued focus on increasing margins on our current product lines and new developments that make our products more useful for our customers.

Our Modular Buildings segment completed projects based on customer specifications and did not engage in specific product development during the 2024 fiscal year.

Competition

Each of our segments have competitive strengths described below. In addition to individual competitive strengths, the barrier to entry for competitors in our industries is high.

Agricultural Products

Our Agricultural Products segment competes in a highly competitive agricultural equipment industry. We compete with larger manufacturers and suppliers that have broader product offerings and significant resources at their disposal; however, we believe that our competitive strengths allow us to compete effectively in our market.

Management believes that grain and livestock producers, as well as those who provide services to grain and livestock operations, are the primary purchasers of agricultural equipment. Many factors influence a buyer's choice for agricultural equipment. Any one or all factors may be determinative, but they include brand loyalty, the relationship with dealers, product quality and performance, product innovation, product availability, parts and warranty programs, price, and customer service.

While our larger competitors may have resources greater than ours, we believe we compete effectively in the farm equipment industry by serving smaller markets in specific product areas rather than directly competing with larger competitors across an extensive range of products. Our Agricultural Products segment caters to niche markets in the agricultural industry. We do not have a direct competitor that has the same product offerings that we do. Instead, each of our product lines competes with similar products of many other manufacturers. Some of our product lines face greater competition than others, but we believe that our products are competitively priced with greater diversity than most competitor product lines. Other companies produce feed processing equipment, sugar beet harvesting and defoliating equipment, grinders, and other products similar to ours; therefore, we focus on providing the best product available at a reasonable price. Overall, we believe our products are competitively priced with above average quality and performance, in a market where price, product performance, and quality are principal elements.

In addition, in order to capitalize on brand recognition for our Agricultural Products segment, we have numerous product lines produced under our own label. We also provide aftermarket service parts which are available to keep our branded and OEM-produced equipment operating to the satisfaction of the customer. We sell products to customers in the United States and nine foreign countries through a network of approximately 500 independent dealers in the United States and Canada, as well as overseas dealers in Australia, Japan and the United Kingdom.

[Table of Contents](#)

We believe that our competitive pricing, product quality and performance, network of worldwide and domestic distributors, and strong market share for many of our products allow us to compete effectively in the agricultural products market.

Modular Buildings

We expect continued competition from our Modular Buildings segment's existing competitors, which include conventional design/build firms, as well as competition from new entrants into the modular building market. To some extent, we believe barriers to entry in the modular building industry limit the competition we face in the industry. Barriers to entry in the market consist primarily of access to capital, access to a qualified labor pool, and the bidding process that accompanies many jobs in the health and education markets. Despite these barriers, manufacturers who have a skilled work force and adequate production facilities could adapt their manufacturing facilities to produce modular structures.

We believe the competitive strength of our Modular Buildings segment is our ability to design and produce high-tech modular buildings more quickly than conventional design/build firms. Conventional design/build construction may take two to five years, while our modular laboratories can be delivered in as little as six months. As one of the few companies in the industry to supply turnkey modular buildings and laboratories, we believe we provide high-quality buildings at reasonable prices that meet our customers' time, flexibility, and security expectations.

Raw Materials, Principal Suppliers, and Customers

Raw materials for our various segments are acquired from domestic and foreign sources and normally are readily available. We rely on foreign suppliers and foreign markets for materials and components for some of our products. However, these suppliers are not principal suppliers, and there are alternative sources for these materials.

We do not typically rely on sales to one customer or a small group of customers. During the 2024 fiscal year, one customer accounted for just more than 17% consolidated net revenues from continuing operations and another approximately 15% of consolidated revenues.

Intellectual Property

We maintain manufacturing rights on several products, which cover unique aspects of design. We also have trademarks covering product identification. We believe our trademarks and licenses help us to retain existing business and secure new relationships with customers. The duration of these rights ranges from 5 to 10 years, with options for renewal. We currently have no pending applications for intellectual property rights.

We have a licensing and royalty agreement with Spreader, LLC to produce a loader mounted spreader in exchange for royalty payments until December 2026.

Government Relationships and Regulations; Environmental Compliance

Our Modular Buildings segment must design, manufacture, and install its modular buildings in accordance with state building codes, and we have been able to achieve the code standards in all instances. In addition, we are subject to various federal, state, and local laws and regulations pertaining to environmental protection and the discharge of materials into the environment. We do not expect that the cost of complying with these regulations will have a material impact on our consolidated results of operations, financial position, or cash flows.

Employees

As of November 30, 2024, we employed 68 employees in our Agricultural Products segment including one on a part-time basis, and 22 employees in our Modular Buildings segment, two on a part-time basis. These numbers do not necessarily represent peak employment during the 2024 fiscal year.

[Table of Contents](#)

Item 1A. RISK FACTORS.

As a smaller reporting company, we are not required to provide disclosure pursuant to this Item.

Item 1B. UNRESOLVED STAFF COMMENTS.

As a smaller reporting company, we are not required to provide disclosure pursuant to this Item.

Item 1C. CYBERSECURITY.

We have a multi-layered approach to assess, identify and manage material risks from cybersecurity threats. This approach includes a wide variety of mechanisms, controls, technologies, methods, systems, and other processes that are designed to prevent, detect, or mitigate data loss, theft, misuse, unauthorized access, or other cybersecurity incidents or vulnerabilities affecting the data.

The data includes confidential, proprietary, and business and personal information that we collect, process, store, and transmit as part of our business, including on behalf of third parties. We also use systems and processes designed to reduce the impact of a cybersecurity incident at a third-party vendor or customer. Additionally, we use processes to oversee and identify material risks from cybersecurity threats associated with our use of third-party technology and systems, including technology and systems we use for encryption and authentication; employee email; content delivery to customers; back-office support; and other functions.

As part of our risk management process, we conduct regular application security assessments to identify vulnerabilities within our IT infrastructure. These assessments include both automated scans and manual reviews by our cybersecurity team. Threat intelligence feeds and security reports are continuously monitored, with the goal of staying ahead of emerging threats. In the event of a cybersecurity incident, we maintain incident response plans that are utilized when incidents are detected. We require employees with access to information systems, including all corporate employees, to undertake data protection and cybersecurity training and compliance programs annually along with random internal phishing campaigns.

We are led by our Director of IT, who is responsible for implementing and maintaining centralized cybersecurity and data protection practices in close coordination with our senior leadership team. We also engage assessors, consultants, or other third parties to assist with assessing, identifying, and managing cybersecurity risks. Our cybersecurity risks and associated mitigations are evaluated by senior leadership and routinely by our Board of Directors.

Our Director of IT, who has extensive cybersecurity knowledge and skills gained from over 10 years of work experience in various information technology roles, heads the team responsible for implementing and maintaining cybersecurity and data protection practices and reports directly to the Chief Financial Officer.

As of the date of this report, we have not encountered any risks from cybersecurity threats that have materially affected or are reasonably likely to materially affect the Company, including its business strategy, results of operations, or financial condition. Cybersecurity threats are continually evolving, and no assurances can be given that our risk management systems and processes will fully mitigate all cybersecurity threats and risks.

Item 2. PROPERTIES.

Our executive offices, as well as the primary production and warehousing facilities for our Agricultural Products segment, are located in Armstrong, Iowa. These facilities were constructed after 1965 and remain in fair condition. The facilities in Armstrong contain approximately 249,000 square feet of usable space. We have engaged in several building improvement projects during the last several years including most recently updating our office spaces and employee break room in 2021, new shop and office boilers and roofing improvements in 2022 and remodeling our production facility bathrooms in fiscal 2023. In addition, we own approximately 30 acres of land west of Armstrong, on which the factory and inventory storage space is situated for our Agricultural Products segment.

Our facility in Monona, Iowa was constructed by us in 2007, and houses the manufacturing for our Modular Buildings segment. The facility was custom-designed to meet our production needs. It has approximately 50,000 square feet of usable space and accommodates a sprinkler system and crane. We own a second building to the east with approximately 12,000 square feet of space, which is used as our weld shop for building frames.

All of our owned real property is subject to mortgages granted to Bank Midwest as security for our long-term debt and our line of credit. See "Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Liquidity and Capital Resources" for more information.

Item 3. LEGAL PROCEEDINGS.

From time to time in the ordinary course of business, we may be named as a defendant in legal proceedings incidental to the business, including without limitation, workers' compensation claims, tort claims, or contractual disputes. We are not currently involved in any material legal proceedings, directly or indirectly, and we are not aware of any claims pending or threatened against us or any of the directors that could result in the commencement of material legal proceedings.

Item 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our common stock trades on the Nasdaq Stock Market LLC under the symbol "ARTW."

Stockholders

We have two classes of stock, undesignated preferred stock and \$0.01 par value common stock. No shares of preferred stock have been issued or are outstanding. As of January 16, 2025 we had 70 common stock stockholders of record, which number does not include stockholders who hold our common stock in street name.

Dividends

We did not pay a dividend during the 2024 or 2023 fiscal years. We expect that the payment of and the amount of any future dividends will depend on our financial condition at that time.

Unregistered Sales of Equity Securities

None.

Purchases of Equity Securities by the Company

There were no purchases of common stock by the Company made in the fourth quarter of fiscal 2024.

Equity Compensation Plans

For information on our equity compensation plans, refer to Item 12, "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS."

Item 6. {RESERVED}

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion, which focuses on our results of operations, contains forward-looking information and statements. Actual events or results may differ materially from those indicated or anticipated, as discussed in the section entitled "Forward Looking Statements." The following discussion of our financial condition and results of operations should also be read in conjunction with our financial statements and notes to financial statements contained in "Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA" of this report.

Financial Condition

Our Agricultural Products segment saw a 34.7% decline in revenue in fiscal 2024 due to suppressed commodity prices, high borrowing rates and saturated inventory levels. Our Modular Buildings segment increased revenues by 25.9% and recorded strong profitability. Our consolidated revenues from continued operations decreased 19.1% year on year, and we had \$461,000 of operating income from continuing operations for the fiscal year ended November 30, 2024.

We finished the year ended November 30, 2024 with approximately \$94,000 of consolidated net loss from continued operations, \$307,000 of net income and saw our working capital increase by approximately \$802,000.

We expect to have access to capital as needed throughout fiscal 2025 from the collection of receivables, sale of inventory and the expected receipt of approximately \$1.2 million of gross proceeds from a filed Employee Retention Credit or ERC. Due to the timing of filing an ERC claim after the IRS announced a moratorium on processing applications, and uncertainty surrounding the nature and timing of the claim approval and subsequent payment process, recognition of the claim is deferred until payment is received. Accordingly, the claim has not been recorded in receivables, assets, or income. On November 30, 2024 we had \$3,571,563 available on our line of credit and \$930,036 of excess collateral towards our borrowing base. Our working capital remained strong at approximately \$6,492,000 in fiscal 2024 with a current ratio of 1.98. Our banking relationship remains positive, and we expect it to only strengthen as our balance sheet continues to improve through the retirement of debt. We believe that our current cash and financing arrangements will provide sufficient cash to finance operations for the next 12 months. We expect to continue to rely on cash from financing activities to supplement our cash flows from operations in order to meet our liquidity and capital expenditure needs in the near future.

[Table of Contents](#)

Critical Accounting Policies

Our significant accounting policies are described in Note 1 "Summary of Significant Accounting Policies" to our financial statements in "Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA" of this report. Critical accounting policies are those that we believe are both important to the portrayal of our financial condition and results of operations and require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

We believe that the following represents the most critical accounting policies and estimates used in the preparation of our consolidated financial statements.

Inventories

Inventories are stated at the lower of cost or net realizable value, and cost is determined using the standard costing method, which approximates costs determined on the first-in, first-out basis. Management monitors the carrying value of inventories using inventory control and review processes that include, but are not limited to, sales forecast review, inventory status reports, and inventory reduction programs. We record inventory write downs to net realizable value based on expected usage information for raw materials and historical selling trends for finished goods. If the assumptions made by management do not occur, we may need to record additional write downs.

Revenue Recognition

In accordance with Accounting Standards Codification, or ASC, 606, revenue is measured based on consideration specified in a contract with a customer and recognized when we satisfy the performance obligation specified in each contract.

Our revenues primarily result from contracts with customers. The major sources of revenue for the Agricultural Products segment are farm equipment and service parts related to farm equipment. The Agricultural Products segment generally executes short-term contracts that contain a single performance obligation – the delivery of product to the common carrier. We recognize revenue for the production and sale of farm equipment and service parts upon shipment of the goods. Shipment of the goods is the point in time when risk of ownership and title pass to the customer. All sales are made to authorized dealers whose application for dealer status has been approved and who have been informed of general sales policies. Any changes in our terms are documented in the most recently published price lists. Pricing is fixed and determinable according to our published equipment and parts price lists. Title to all equipment and parts sold pass to the customer upon delivery to the carrier and is not subject to a customer acceptance provision. Proof of the passing of title is documented by the signing of the delivery receipt by a representative of the carrier. Post shipment obligations are limited to any claim with respect to the condition of the equipment or parts. The Agricultural Products segments typically require payment in full 30 days after the ship date. To take advantage of program discounts, some customers pay deposits up front. Any deposits received are considered unearned revenue and increase contract liabilities.

In certain circumstances, upon the customer's written request, we may recognize revenue when production is complete, and the goods are ready for shipment. At the customer's request, we will bill the customer upon completing all performance obligations, but before shipment. The customer dictates that we ship the goods per its direction from our manufacturing facility, as is customary with this type of agreement, in order to minimize shipping costs. The written agreement with the customer specifies that the goods will be delivered on a schedule to be determined by the customer, with a final specified delivery date, and that we will segregate the goods from our inventory, such that they are not available to fill other orders. This agreement also specifies that the customer is required to purchase all goods manufactured under this agreement. Title of the goods will pass to the customer when the goods are complete and ready for shipment, per the customer agreement. At the transfer of title, all risks of ownership have passed to the customer, and the customer agrees to maintain insurance on the manufactured items that have not yet been shipped. We have operated using bill and hold agreements with certain customers for many years, with consistent satisfactory results for both the customers and us. The credit terms on this agreement are consistent with the credit terms on other sales. All risks of loss are shouldered by the customer, and there are no exceptions to the customer's commitment to accept and pay for these manufactured goods. Revenues recognized when goods were ready for shipment in fiscal 2024 were approximately \$1,073,000 compared to \$3,110,000 in fiscal 2023.

[Table of Contents](#)

The Modular Buildings segment is in the construction industry with its major source of revenue arising from modular building sales. Sales of modular buildings are generally recognized using input methods to measure progress towards the satisfaction of a performance obligation using the percentage of completion method. Revenue and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at completion. Contract costs consist of direct costs on contracts, including labor, materials, and amounts payable to subcontractors and those indirect costs related to contract performance, such as equipment costs, insurance and employee benefits. Contract cost is recorded as incurred, and revisions in contract revenues and cost estimates are reflected in the accounting period when known. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Contract losses are recognized when current estimates of total contract revenue and contract cost indicate a loss. Estimated contract costs include any and all costs appropriately allocable to the contract. The provision for these contract losses will be the excess of estimated contract costs over estimated contract revenues. Changes in job performance, job conditions and estimated profitability, including those changes arising from contract change orders, penalty provisions and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. We use significant judgements in determining estimated contract costs and completion percentages throughout the life of the project. Stock modular building sales also occur and are recognized at a point in time when the performance obligation is fulfilled through substantial completion. Substantial completion is achieved through customer acceptance of the completed building. The Modular Buildings segment executes contracts with customers that can be short- or long-term in nature. These contracts can have multiple performance obligations and revenue from these can be recognized over time or at a point in time depending on the nature of the contracts. Payment terms for the Modular Buildings segment vary by contract, but typically utilize money down and progress payments throughout the life of the contract. The payment terms of the Modular Buildings segment have the most impact on our contract receivables, contract assets and contract liabilities. Project invoicing from the Modular Buildings segment increases contract receivables and has an effect on contract liabilities through billings in excess of costs, estimated gross profit and customer deposits. The balance of contract assets is typically made up of the balance of costs and estimated gross profit in excess of billings. Costs and profit in excess of amounts billed are classified as current assets and billings in excess of cost and profit are classified as current liabilities.

The Agricultural Products segment offers variable consideration in the form of discounts depending on participation in yearly early order programs. This variable consideration is allocated to the transaction price of all products in a sales arrangement and is not contingent on future outcomes. The Agricultural Products segment does not offer rebates or credits. The Modular Buildings segment does not offer discounts, rebates or credits.

Our returns policy allows for new and saleable parts to be returned, subject to inspection and a restocking charge, which is included in net sales. Whole goods are not returnable. Shipping costs charged to customers are included in net sales. Freight costs incurred are included in cost of goods sold. Customer deposits consist of advance payments from customers, in the form of cash, for revenue to be recognized in the following year.

For information on product warranty as it applies to ASC 606, refer to Note 9 "Product Warranty" contained in our financial statements in "Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA" of this report.

Results of Operations

Fiscal Year Ended November 30, 2024 Compared to Fiscal Year Ended November 30, 2023

Our consolidated net sales from continuing operations totaled \$24,499,000 for the 2024 fiscal year, which represents a 19.1% decrease from our consolidated net sales of \$30,281,000 for the 2023 fiscal year. We increased revenue in our Modular Buildings segment while our Agricultural Products segment was met with difficult market conditions in fiscal 2024. Our consolidated gross profit as a percentage of net sales increased to 29.8% in the 2024 fiscal year compared to 28.3% of net sales in the 2023 fiscal year. Our consolidated operating expenses from continuing operations decreased by 2.9%, from \$7,053,000 in the 2023 fiscal year to \$6,849,000 in the 2024 fiscal year. The majority of our corporate general and administrative expenses are borne by our Agricultural Products segment, including costs associated with being a public company. The Agricultural Products segment represented \$5,665,000 of our total consolidated operating expenses, while our Modular Buildings segment represented \$1,184,000.

Our consolidated operating income from continuing operations for the 2024 fiscal year was \$461,000 compared to operating income of \$1,531,000 for the 2023 fiscal year. Our Agricultural Products segment had an operating loss of \$1,510,000, and our Modular Buildings segment had operating income of \$1,971,000.

[Table of Contents](#)

Consolidated net income for the 2024 fiscal year was \$307,000 compared to net income of \$267,000 in the 2023 fiscal year.

Our effective tax rate for the 2024 and 2023 fiscal years was 30.3% and 29.9%, respectively.

Agricultural Products. Our Agricultural Products segment's net sales for the 2024 fiscal year were \$14,663,000 compared to \$22,467,000 during the 2023 fiscal year, a decrease of \$7,804,000, or 34.7%. Commodity prices in the agricultural market dropped below five-year averages in fiscal 2024, which lead to a strong decrease in demand for our products. This demand decrease was not isolated to our company, instigating mass layoffs and major production cuts in fiscal 2024 for many in our industry. Another factor in the sales decrease was the amount of inventory on dealer lots at the end of fiscal 2023. Many dealers were oversaturated with inventory related to excess demand in 2023 from high commodity prices and supply chains' inability to keep up. This turned drastically in the first quarter of fiscal 2024, as increasing interest rates and declining commodity prices decreased expected net farm income.

Gross profit percentage in the Agricultural Products segment for the 2024 fiscal year was 28.3% compared to 29.3% for the 2023 fiscal year. We continued to see inflationary pressure in fiscal 2024. Steel prices rose through the summer of fiscal 2024 but leveled off and dropped near the end of the year. We continued to see price increases from insurance groups and other manufacturing expense companies, which lead to an increase in our overhead costs. We attribute these factors and overall sales decrease to the drop in gross profit percentage. We put a focus on cost reductions on two of our highest volume products in fiscal 2024, which we expect to bear fruit in fiscal 2025.

Our Agricultural Products segment's operating expenses for the 2024 fiscal year were \$5,665,000 compared to \$5,920,000 for the 2023 fiscal year, a decrease of \$255,000, or 4.3%. A large share of the operating expense decrease is related to our selling expenses, most notably, commission expense, for which we saw a decrease of \$418,000 due to the large sales decrease and the hiring of an inside salesperson. Some of this decrease was offset with added salary for the inside salesperson and travel expense. Our general and administrative expenses increased approximately \$333,000 from fiscal 2023. The increase is due to \$186,000 of additional salary expense due to wage increases and from the hiring of a HR manager at the end of fiscal 2023 along with a \$48,000 increase in computer contract expense related to an enterprise resource planning or ERP conversion that we completed in August of 2023. We also paid out approximately \$201,000 in early retirement benefits to employees in the spring of fiscal 2024 in order to drop our headcount to align with our lessened demand. We estimate the early retirement will save us \$263,000 in wages and benefits annually moving forward. In addition to early retirement, we also enacted layoffs and strategic terminations that are expected to cut approximately \$750,000 of operating expenses annually. Our engineering expenses decreased approximately \$166,000 from fiscal 2023 due to a reduction in headcount in our engineering department. We expect the engineering headcount reduction to be temporary, as we recognize the strategic value in new product development and continued product improvement. Total loss from operations for our Agricultural Products segment during the 2024 fiscal year was \$1,510,000 compared to operating income of \$664,000 for the 2023 fiscal year. The sudden deterioration of the agricultural markets in fiscal 2024 was the primary driver for the decline in operating income from fiscal 2023. We reacted quickly when we identified adverse market conditions early on in fiscal 2024, and began right-sizing operations and overhead expenses to facilitate better performance in fiscal 2025.

Modular Buildings. Our Modular Buildings segment's net sales for the 2024 fiscal year were \$9,836,000 compared to \$7,814,000 for the 2023 fiscal year, an increase of \$2,022,000, or 25.9%. While our agricultural products building sales suffered under the same adverse market conditions of our Agricultural Products segment, we saw increased demand in the research markets for our modular products, which led to a 124% increase in research sales. Our Modular Building segment's gross profit percentage for the 2024 fiscal year was 32.1% compared to 25.6% during the 2023 fiscal year. Our project performance in fiscal 2024 exceeded expectations as our workforce was consistently under budget on production disciplines. We are also historically more efficient when our shop is busy and perform better on research projects as we often have more contingency built in than traditional ag modulars. Operating expenses for the 2024 fiscal year were \$1,184,000 compared to \$1,133,000 for the 2023 fiscal year, an increase of \$51,000, or 4.5%. This increase is primarily due to increased bonus payout for excellent fiscal 2024 performance. Total income from operations from our Modular Buildings segment during the 2024 fiscal year was \$1,971,000 compared to operating income of \$867,000 in the 2023 fiscal year. Our project management team continued to build on fiscal 2023 strides to increase profitability on projects and to provide better service to our customers. This focus translated to some of the best results we have seen in this operating segment and we believe our sales funnel leading into fiscal 2025 can deliver similar performance.

Discontinued Operations. On June 7, 2023 we announced we would be discontinuing our Tools segment with the last day of normal operations occurring on July 14, 2023. Just over a year later, on October 21, 2024, we completed the sale of the remaining real estate associated with our Tools segment for \$1,800,000. The assets and liabilities of this segment were gone prior to November 30, 2024 and will no longer report discontinued operations in our current year financials moving forward. Our discontinued operations generated approximately \$1,271,000 from operating, investing and financing activities mainly related to closing activities and the sale of real estate. Our Tools segment reported net income of \$402,000 for the twelve months ended November 30, 2024 compared to net loss of \$496,000 in the same period of fiscal 2023.

[Table of Contents](#)

Trends and Uncertainties

We are subject to a number of trends and uncertainties that may affect our short-term or long-term liquidity, sales revenues, and operations. Similar to other farm equipment manufacturers, we are affected by items unique to the farm industry, including fluctuations in farm income resulting from changes in commodity prices, crop damage caused by weather and insects, government farm programs, interest rate fluctuations, and other unpredictable variables. Other uncertainties include our OEM customers and the decisions they make regarding their current supply chain structure, inventory levels, and overall business conditions. Management believes that our business is dependent on the farming industry for the bulk of our sales revenues. As such, our business tends to reap the benefits of increases in farm net income, as farmers tend to purchase equipment in lucrative times and forgo purchases in less profitable years. Direct government payment over the past few years and costs of agricultural production are increasing; further increases in the value of production will benefit our business, while any future decreases in the value of production will decrease farm net income and may negatively affect our financial results.

As with other farm equipment manufacturers, we depend on our network of dealers to influence customers' decisions, and dealer influence is often more persuasive than a manufacturer's reputation or the price of the product.

Seasonality

Sales of our agricultural products are seasonal; however, we have tried to decrease the impact of this seasonality through the development of beet harvesting machinery, as the peak periods for these products occur at different times.

Our modular building sales are somewhat seasonal, and we believe that this is due to the budgeting and funding cycles of the universities that commonly purchase our modular buildings. We believe that this cycle can be offset by building backlogs of inventory, by increasing sales to other public and private sectors and by creating repeatable business opportunities.

Liquidity and Capital Resources

Our main source of funds during the 2024 fiscal year was cash generated by operating activities of approximately \$2,869,000. We utilized favorable billing schedules in our Modular Buildings segment to generate approximately \$1,654,000 in positive cash flow for our fiscal 2024 projects. We also generated approximately \$983,000 of cash from the collection of extended term and other outstanding receivables at fiscal 2023 year end, predominately from our Agricultural Products segment. We were also able to reduce our inventory level in fiscal 2024 from higher than normal inventory level at the end of fiscal 2023, to generate approximately \$551,000 of positive cash. We expect to be able to continue to decrease inventory in fiscal 2025 to provide positive cash. Our net loss plus noncash adjustment items also provided approximately \$1,358,000 in cash in fiscal 2024. Our discontinued operations provided approximately \$1,271,000 in positive cash flow primarily from the sale of our remaining real estate. Our largest uses of cash in fiscal 2024 were the payment of accounts payable, purchases of property, plant, and equipment, and retirement of debt, including the payoff of our roof loan and a large decrease in our operating line of credit. We expect our primary capital needs for fiscal 2025 to be operating expenses and continued retirement of debt. We expect our operating expenses to be down significantly in fiscal 2025 as we have right-sized our staff for incoming demand. We expect to use available cash or financing in fiscal 2025 to acquire equipment that we identify as improving efficiency in our manufacturing process. We will be focused on increasing efficiency and margin gains to make the most out of our expected sales in fiscal 2025. We expect to receive approximately \$1,200,000 of net proceeds from the Employee Retention Credit in fiscal 2025. Due to the timing of filing an ERC claim after the IRS announced a moratorium on processing applications, and uncertainty surrounding the nature and timing of the claim approval and subsequent payment process, recognition of the claim is deferred until payment is received. Accordingly the claim has not been recorded in receivables, assets, or income.

We have a Bank Midwest credit facility consisting of a \$5,500,000 revolving line of credit, pursuant to which we had borrowed \$1,928,437, with \$3,571,563 remaining, as of November 30, 2024, and one term loan, which had an outstanding principal balance of \$1,779,877 as of November 30, 2024. The revolving line of credit is being used for working capital purposes. We also have two Economic Injury Disaster Loans provided by the U.S. Small Business Administration with an aggregate principal balance of \$315,089 as of November 30, 2024.

Our loans require us to comply with various covenants, including maintaining certain financial ratios and obtaining prior written consent from Bank Midwest for any investment in, acquisition of, or guaranty relating to another business or entity. We were in compliance with covenants in place under the Bank Midwest loans as of November 30, 2024.

[Table of Contents](#)

For additional information about our financing activities, please refer to Note 10 "Loan and Credit Agreements" to our financial statements in "Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA" of this report.

The following table represents our working capital and current ratio as of the end of the past two fiscal years:

	November 30, 2024	November 30, 2023
Current Assets	\$ 13,124,309	\$ 15,085,494
Current Liabilities	6,632,493	9,395,023
Working Capital	<u>\$ 6,491,816</u>	<u>\$ 5,690,471</u>
Current Ratio	1.98	1.61

We believe that our current cash and financing arrangements will provide sufficient cash to finance operations for the next 12 months. We expect to continue to rely on cash from financing activities to supplement our cash flows from operations in order to meet our liquidity and capital expenditure needs in the near future. We expect to continue to be able to procure financing upon reasonable terms.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a smaller reporting company, we are not required to provide disclosure pursuant to this Item.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Art's-Way Manufacturing Co., Inc.
Armstrong, Iowa

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Art's-Way Manufacturing Co., Inc. and Subsidiaries (the "Company") as of November 30, 2024 and 2023, and the related consolidated statements of operations, stockholders' equity, and cash flows, for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of November 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risk of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

[Table of Contents](#)

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Inventories

As discussed in Note 4 to the Company's financial statements, the gross inventories balance was \$11,984,915, and the balance net of reserves was \$10,327,913 as of November 30, 2024. The Company values its inventories at the lower of cost or net realizable value, with cost being determined using the standard costing method, which approximates first-in, first-out costing method. The Company adjusts the value of inventory for slow-moving and obsolete inventory based on expected future usage of raw materials and finished goods.

We identified the valuation of inventories as a critical audit matter. The principal considerations for our determination that performing procedures relating to valuation of inventories is a critical audit matter are the significant assumptions and complex judgments by management when determining the future salability of the inventory and its net realizable value. These assumptions and judgments include the assessment of the net realizable value by inventory category considering retention periods, future usage, and market demand for products, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to management's methods, calculations, and assumptions.

The primary procedures we performed to address this critical audit matter included:

- Gaining an understanding of management's processes, controls, and methodology to develop the estimates.
- Evaluating the reasonableness of assumptions used by management in forming the forecasted inventory usage and future salability, including examining historical accuracy of the Company's prior estimates by considering subsequent sales and write-off activity.
- Testing the completeness, accuracy, and relevance of the underlying data used in management's estimate.
- Testing the mathematical accuracy and computation related to the application of the methodology to specific inventory items and categories.

/s/ Eide Bailly LLP

We have served as the Company's auditor since 2006.

Denver, Colorado
February 18, 2025

ART'S-WAY MANUFACTURING CO., INC.
Consolidated Balance Sheets

	November 30, 2024	November 30, 2023
Assets		
Current assets:		
Cash	\$ 1,860	\$ 4,014
Accounts receivable-customers, net of allowance for expected credit losses of \$ 108,636 and net of allowance for doubtful accounts of \$32,137 in 2024 and 2023, respectively	2,372,876	3,432,216
Inventories, net	10,327,913	11,031,362
Cost and profit in excess of billings	213,195	289,282
Other current assets	208,465	296,662
Current assets of discontinued operations	-	31,958
Total current assets	<u>13,124,309</u>	<u>15,085,494</u>
Property, plant, and equipment, net	5,150,870	5,060,595
Assets held for lease, net	89,033	145,494
Deferred income taxes, net	2,440,297	2,503,213
Other assets	436,175	583,752
Other assets of discontinued operations	-	1,023,566
Total assets	<u>\$ 21,240,684</u>	<u>\$ 24,402,114</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 944,448	\$ 2,256,502
Customer deposits	180,597	416,044
Billings in excess of cost and profit	1,929,151	351,289
Income taxes payable	5,500	5,000
Accrued expenses	1,303,718	1,399,232
Line of credit	1,928,437	4,413,520
Current portion of finance lease liabilities	220,908	257,454
Current portion of long-term debt	119,734	109,193
Current liabilities of discontinued operations	-	186,789
Total current liabilities	<u>6,632,493</u>	<u>9,395,023</u>
Long-term liabilities		
Long-term portion of operating lease liabilities	4,700	13,774
Long-term portion of finance lease liabilities	534,436	722,200
Long-term debt, excluding current portion	<u>1,975,232</u>	<u>2,629,862</u>
Total liabilities	<u>9,146,861</u>	<u>12,760,859</u>
Commitments and Contingencies (Notes 8, 9, 10 and 17)		
Stockholders' equity:		
Undesignated preferred stock - \$0.01 par value. Authorized 500,000 shares in 2024 and 2023; issued and outstanding 0 shares in 2024 and 2023.	-	-
Common stock - \$0.01 par value. Authorized 9,500,000 shares in 2024 and 2023; issued 5,149,173 in 2024 and 5,106,922 in 2023	51,492	51,069
Additional paid-in capital	5,020,849	4,838,425
Retained earnings	7,328,628	7,021,253
Treasury stock, at cost (112,714 shares in 2024 and 94,256 shares in 2023)	(307,146)	(269,492)
Total stockholders' equity	<u>12,093,823</u>	<u>11,641,255</u>
Total liabilities and stockholders' equity	<u>\$ 21,240,684</u>	<u>\$ 24,402,114</u>

See accompanying Report of Independent Registered Public Accounting Firm and notes to consolidated financial statements.

ART'S-WAY MANUFACTURING CO., INC.
Consolidated Statements of Operations

	Years Ended	
	November 30, 2024	November 30, 2023
Sales	\$ 24,499,371	\$ 30,280,957
Cost of goods sold	17,189,506	21,697,075
Gross profit	<u>7,309,865</u>	<u>8,583,882</u>
Expenses:		
Engineering	432,587	598,065
Selling	1,635,166	2,132,101
General and administrative	4,781,415	4,322,475
Total expenses	<u>6,849,168</u>	<u>7,052,641</u>
Income from operations	<u>460,697</u>	<u>1,531,241</u>
Other income (expense):		
Interest expense	(599,396)	(590,005)
Other	3,208	147,512
Total other income (expense)	<u>(596,188)</u>	<u>(442,493)</u>
Income (loss) from continuing operations before income taxes	(135,491)	1,088,748
Income tax expense (benefit)	(41,025)	325,959
Income (loss) from continuing operations	<u>(94,466)</u>	<u>762,789</u>
Discontinued Operations		
Income (loss) from discontinued operations before income taxes	517,171	(708,313)
Income tax expense (benefit)	115,330	(212,493)
Income (loss) on discontinued operations	<u>401,841</u>	<u>(495,820)</u>
Net Income	<u>\$ 307,375</u>	<u>\$ 266,969</u>
Net income (loss) per share - Basic:		
Continuing Operations	\$ (0.02)	\$ 0.15
Discontinued Operations	0.08	(0.10)
Net income per share	<u>\$ 0.06</u>	<u>\$ 0.05</u>
Net income (loss) per share - Diluted:		
Continuing Operations	\$ (0.02)	\$ 0.15
Discontinued Operations	0.08	(0.10)
Net income per share	<u>\$ 0.06</u>	<u>\$ 0.05</u>
Weighted average outstanding shares used to compute basic net income per share	5,052,167	5,002,238
Weighted average outstanding shares used to compute diluted net income per share	5,052,167	5,002,238

See accompanying Report of Independent Registered Public Accounting Firm and notes to consolidated financial statements.

ART'S-WAY MANUFACTURING CO., INC.
Consolidated Statements of Stockholders' Equity
Years Ended November 30, 2024 and 2023

	Common Stock		Additional paid-in capital	Retained earnings	Treasury Stock		
	Number of shares	Par value			Number of shares	Amount	Total
Balance, November 30, 2022	5,013,671	50,137	4,547,172	6,754,284	64,574	(200,956)	11,150,637
Stock based compensation	93,251	932	291,253	-	29,682	(68,536)	223,649
Net Income	-	-	-	266,969	-	-	266,969
Balance, November 30, 2023	5,106,922	51,069	4,838,425	7,021,253	94,256	(269,492)	11,641,255
Stock based compensation	42,251	423	182,424	-	18,458	(37,654)	145,193
Net Income	-	-	-	307,375	-	-	307,375
Balance, November 30, 2024	5,149,173	51,492	5,020,849	7,328,628	112,714	(307,146)	12,093,823

See accompanying Report of Independent Registered Public Accounting Firm and notes to consolidated financial statements.

ART'S-WAY MANUFACTURING CO., INC.
Consolidated Statements of Cash Flows

	Twelve Months Ended	
	November 30, 2024	November 30, 2023
Cash flows from operations:		
Net income (loss) from continuing operations	\$ (94,466)	\$ 762,789
Net income (loss) from discontinued operations	\$ 401,841	\$ (495,820)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Stock based compensation	182,847	292,185
Increase (decrease) in obsolete inventory reserves	152,902	(126,707)
Gain on disposal of property, plant, and equipment	(5,300)	(92,495)
Depreciation and amortization expense	868,004	774,365
Amortization of cloud computing implementation costs	121,819	30,455
Increase (decrease) in allowance for expected credit losses - accounts receivable	76,499	(1,151)
Deferred income taxes	62,916	102,182
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	982,841	(964,275)
Inventories	550,547	(1,297,947)
Other assets	(33,644)	44,117
Increase (decrease) in:		
Accounts payable	(1,312,054)	(253,961)
Contracts in progress, net	1,653,949	184,872
Customer deposits	(235,447)	(409,369)
Income taxes payable	500	1,500
Accrued expenses	(95,934)	237,471
Net cash provided by (used in) operating activities - continuing operations	2,875,979	(715,969)
Net cash provided by operating activities - discontinued operations	(249,279)	660,775
Net cash provided by (used in) operating activities	<u>2,626,700</u>	<u>(55,194)</u>
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(724,679)	(841,784)
Net proceeds from sale of assets	5,300	286,815
Net cash used in investing activities - continuing operations	(719,379)	(554,969)
Net cash provided by investing activities - discontinued operations	1,680,453	101,457
Net cash provided by (used in) investing activities	<u>961,074</u>	<u>(453,512)</u>
Cash flows from financing activities:		
Net change in line of credit	(2,485,083)	489,020
Proceeds from finance lease obligations	-	397,536
Principal payments on finance lease obligations	(262,503)	(184,881)
Repayment of term debt	(644,089)	(99,136)
Repurchases of common stock	(37,654)	(68,536)
Net cash provided by (used in) financing activities - continuing operations	(3,429,329)	534,003
Net cash used in financing activities - discontinued operations	(160,599)	(26,338)
Net cash provided by (used in) financing activities	<u>(3,589,928)</u>	<u>507,665</u>
Net decrease in cash	(2,154)	(1,041)
Cash at beginning of period	4,014	5,055
Cash at end of period	<u>\$ 1,860</u>	<u>\$ 4,014</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 601,680	\$ 606,747
Income taxes	6,309	3,646
Supplemental disclosures of non-cash investing and financing activities:		
Right-of-use (ROU) assets acquired (included in other assets)	\$ 38,912	\$ 134,544
Amortization of operating lease ROU assets (included in other assets)	\$ 8,653	\$ 12,375

See accompanying Report of Independent Registered Public Accounting Firm and notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Nature of Business

Art's-Way Manufacturing Co., Inc. (the "Company") is primarily engaged in the fabrication and sale of specialized farm machinery in the agricultural sector of the United States. Primary product offerings include portable and stationary animal feed processing equipment; hay and forage equipment; sugar beet harvesting equipment; dirt work equipment and manure spreaders. The Company sells its labeled products through independent farm equipment dealers throughout the United States, Australia, Canada, Japan, and the United Kingdom. The Company also provides after-market service parts that are available to keep its branded and OEM-produced equipment operating to the satisfaction of the end user of the Company's products.

The Company's Modular Buildings segment is primarily engaged in the construction of modular laboratories and animal housing facilities through the Company's wholly owned subsidiary, Art's-Way Scientific, Inc. Buildings commonly produced range from basic swine buildings to complex containment research laboratories. This segment also provides services relating to the design, manufacturing, delivery, installation, and renting of the building units that it produces.

During the third quarter of fiscal 2023, the Company ceased operations of its Tools business, Ohio Metal Working Products/Art's-Way, Inc., which in previous periods, was reported in the consolidated financial statements as the Company's third operating segment. The assets of the Tools segment were disposed of in the fourth quarter of fiscal 2024.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of Art's-Way Manufacturing Co., Inc. and its wholly owned subsidiaries for the 2024 fiscal year, which includes Art's-Way Scientific, Inc. and Ohio Metal Working Products/Art's-Way, Inc., which is presented separately as a discontinued operation for all periods presented. All inter-company accounts and transactions are eliminated in consolidation.

(c) Cash Concentration

The Company maintains several different accounts at one bank, and balances in these accounts could periodically exceed the federally insured limits. However, management believes the risk of loss to be low.

(d) Customer Concentration

During the 2024 fiscal year, the Company had two customers accounting for more than 10% of consolidated revenues from continuing operations, at approximately 17% and 15% each, while in the 2023 fiscal year, one customer accounted for approximately 12% of consolidated revenues from continuing operations.

(e) Allowance for Credit Losses

The Company uses aging categories to estimate expected credit losses on trade receivables beginning with the fiscal year starting December 1, 2023. The Company considers the following in its analysis: historical loss experience, forward-looking macroeconomic factors, company credit risk including previous delinquencies, disputed amounts, and the intent and ability to pay. The Company's typical credit terms are Net 30, however, it does offer terms up to 360 days on floor plan units. The Company would consider trade receivables greater than 30 days past due, but is not required to disclose past due receivables with an original term less than one year. The Company performs additional analysis monthly on amounts over 90 days past due to determine collectability. The Company has assigned expected credit loss percentages based on where the asset falls in the aging schedule. The Company's actual credit losses have been low compared to historical allowance estimates. The Company has considered the current interest rate environment and the recent decline in the agricultural commodity market and believes its method of estimating a higher than historical loss percentage to be an adequate estimate of actual expected losses. The Company foresees increased credit risk over the next year or so until inventory on dealer lots starts to decline, interest rates drop and farm income strengthens.

The Company carries contract assets related to its Modular Buildings segment in the form of costs and profit in excess of billings. These contract assets are typically converted to trade receivables in 30 to 90 days, depending on contract terms, and due 30 days or less from the billing date. Because these contract assets are typically converted to receivables and collected in less than a year, consideration for these contract assets has been included in the expected credit loss model for trade receivables.

The Company began offering floorplan terms in its Agricultural Products segment during its fall 2021 early order program to incentivize customers to stock farm equipment on their lots during the 2022 fiscal year and continued to offer this program for fiscal 2024. Floorplan terms allow customers to pay the Company at the earliest of retail date or 360 days. The Company had approximately \$1,073,000 in accounts receivable at November 30, 2024 that was part of its floorplan program on extended terms compared to \$ 3,110,000 for the year ended November 30, 2023.

For the fiscal year ended November 30, 2023, accounts receivable were carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determined the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable were written-off when deemed uncollectible. Recoveries of accounts receivable previously written-off were recorded when received. Accounts receivable were generally considered past due 60 days past invoice date, with the exception of international sales which primarily are sold with 180 day terms backed by export insurance.

(f) Inventories

Inventories are stated at the lower of cost or net realizable value, and cost is determined using the standard costing method which approximates costs determined on the first-in, first-out basis. Management monitors the carrying value of inventories using inventory control and review processes that include, but are not limited to, sales forecast review, inventory status reports, and inventory reduction programs. The Company records inventory write downs to net realizable value based on expected usage information for raw materials and historical selling trends for finished goods. Additional write downs may be necessary if the assumptions made by management do not occur.

(g) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Depreciation of plant and equipment is provided using the straight-line method, based on the estimated useful lives of the assets which range from three to forty years.

Property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable.

For property, plant, and equipment used in operations, including lease assets and assets held for lease, impairment losses are only recorded if the asset's carrying amount is not recoverable through its undiscounted, probability-weighted future cash flows. We measure the impairment loss based on the difference between the carrying amount and estimated fair value.

(h) Leases

Lessee. The Company determines if an arrangement is a lease at inception of a contract. The nature of the Company's leases at this time is shop machinery and office equipment, mainly copiers, with terms of 12 to 60 months. Operating and finance leases are included in other assets as lease right-of-use ("ROU") assets on the Consolidated Balance Sheets while current operating lease liabilities are included in accrued expenses. The short-term portion of finance leases along with long-term portions of operating and finance lease liabilities are presented on the face of the Consolidated Balance Sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company generally uses its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term while finance lease ROU assets are amortized on a straight-line basis and interest expense is recorded over the lease term.

The Company has copier lease agreements with lease and non-lease components and has elected the practical expedient not to separate lease and non-lease components for this asset class. The Company has also elected not to recognize lease liabilities and ROU assets for leases with an initial term of twelve months or less. The Company recognizes variable costs that depend on usage in profit or loss as they are incurred.

[Table of Contents](#)

The components of operating leases on the Consolidated Balance Sheets at November 30, 2024 and November 30, 2023 were as follows:

	November 30, 2024	November 30, 2023
Operating lease right-of-use assets (other assets)	\$ 13,774	\$ 22,427
Current portion of operating lease liabilities (accrued expenses)	\$ 9,074	\$ 8,653
Long-term portion of operating lease liabilities	4,700	13,774
Total operating lease liabilities	\$ 13,774	\$ 22,427

The Company's continuing operations recorded \$10,199 of operating lease expense in the year ended November 30, 2024 compared to \$17,459 in the same period of fiscal 2023, including variable costs tied to usage. The Company's operating leases carry a weighted average lease term of 18 months and have a weighted average discount rate of 4.75%.

Future maturities of operating lease liabilities as of November 30, 2024 are as follows:

Year Ending November 30,	
2025	9,532
2026	4,765
Total lease payments	14,297
Less imputed interest	(523)
Total operating lease liabilities	13,774

The components of finance leases on the Consolidated Balance Sheets on November 30, 2024 and November 30, 2023 were as follows:

	November 30, 2024	November 30, 2023
Finance lease right-of-use assets (net of amortization in other assets)	\$ 377,753	\$ 511,367
	\$ 377,753	\$ 511,367
Current portion of finance lease liabilities	\$ 220,908	\$ 257,454
Long-term portion of finance lease liabilities	534,436	722,200
Total finance lease liabilities	\$ 755,344	\$ 979,654

The Company received grant funds from the Iowa Economic Development's Manufacturing 4.0 program in prior years for the purchase of assets. These funds have reduced the right-of-use asset account for the proceeds and will reduce amortization over the life of the asset.

Future maturities of finance lease liabilities as of November 30, 2024 are as follows:

Year Ending November 30,	
2025	\$ 256,747
2026	255,163
2027	222,241
2028	90,962
2029	5,588
Total lease payments	830,701
Less imputed interest	(75,357)
Total finance lease liabilities	\$ 755,344

The weighted average lease term of the Company's finance leases are 40 months while the weighted average rate of finance leases is 5.43%. The Company's continuing operations incurred \$171,830 of amortization expense from ROU assets related to finance leases in fiscal 2024 compared to \$129,891 in fiscal 2023.

Lessor. The Company's lessor arrangements primarily include contracts for temporary building rentals or permanent building financing for our Modular Buildings segment. The Company classifies its leases at inception as operating, direct financing or sales-type leases. A lease is classified as a sales-type lease if at least one of the following criteria is met: (1) the lease transfers ownership of the underlying asset to the lessee, (2) the lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise, (3) the lease term is for a major part of the remaining economic life of the underlying asset, (4) the present value of the sum of the lease payments equals or exceeds substantially all of the fair value of the underlying assets, or (5) the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. Furthermore, when none of the above criteria is met, a lease is classified as a direct financing lease if both of the following criteria are met: (1) the present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds the fair value of the underlying asset and (2) it is probable that the lessor will collect the lease payments plus any amount necessary to satisfy a residual value guarantee. A lease is classified as an operating lease if it does not qualify as a sales-type or direct financing lease. Currently, the Company classifies all of its lessor arrangements as operating leases.

See Note 7, "Assets Held for Lease," for more information.

(i) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating losses. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is entirely dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

The Company classifies interest and penalties to be paid on an underpayment of taxes as income tax expense. The Company files income tax returns in the U.S. federal jurisdiction and various states and previously in Canada. The Company is no longer subject to Canadian, U.S. federal or state income tax examinations by tax authorities for years ended before November 30, 2021.

(j) Revenue Recognition

The Company's revenues primarily result from contracts with customers. The major sources of revenue for the Agricultural Products segment are farm equipment and service parts related to farm equipment. The Agricultural Products segment generally executes short-term contracts that contain a single performance obligation – the delivery of product to the common carrier. The Company recognizes revenue for the production and sale of farm equipment and service parts upon shipment of the goods. Risk of ownership and title pass to the customer upon shipment of the goods. All sales are made to authorized dealers whose application for dealer status has been approved and who have been informed of general sales policies. Any changes in the Company's terms are documented in the most recently published price lists. Pricing is fixed and determinable according to the Company's published equipment and parts price lists. Title to all equipment and parts sold passes to the customer upon delivery to the carrier and is not subject to a customer acceptance provision. Proof of the passing of title is documented and retained by the Company. Post shipment obligations are limited to any claim with respect to the condition of the equipment or parts. The Agricultural Products segment typically requires payment in full 30 days after the ship date. To take advantage of program discounts, some customers pay deposits up front. Any deposits received increase contract liabilities.

In certain circumstances, upon the customer's written request, the Company may recognize revenue when production is complete, and the goods are ready for shipment. At the customer's request, the Company will bill the customer upon completing all performance obligations, but before shipment. The customer dictates that the Company ship the goods per the customer's direction from the Company's manufacturing facility, as is customary with this type of agreement, in order to minimize shipping costs. The written agreement with the customer specifies that the goods will be delivered on a schedule to be determined by the customer, with a final specified delivery date, and that the Company will segregate the goods from its inventory, such that they are not available to fill other orders. This agreement also specifies that the customer is required to purchase all goods manufactured under this agreement. Title of the goods will pass to the customer when the goods are complete and ready for shipment, per the customer agreement. At the transfer of title, all risks of ownership have passed to the customer, and the customer agrees to maintain insurance on the manufactured items that have not yet been shipped. The Company has operated using bill and hold agreements with certain customers for many years, with consistent satisfactory results for both the customer and the Company. The credit terms on these agreements are consistent with the credit terms on all other sales. All risks of loss are shouldered by the customer, and there are no exceptions to the customer's commitment to accept and pay for these manufactured goods. Revenues recognized at the completion of production in the 2024 and 2023 fiscal years were approximately \$1,073,000 and \$3,110,000 respectively.

The Modular Buildings segment is in the construction industry with its major source of revenue arising from modular building sales. Sales of modular buildings are generally recognized using input methods to measure progress towards the satisfaction of a performance obligation using the percentage of completion method. Revenue and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at completion. Contract costs consist of direct costs on contracts, including labor, materials, amounts payable to subcontractors and those indirect costs related to contract performance, such as equipment costs, insurance and employee benefits. Contract cost is recorded as incurred, and revisions in contract revenues and cost estimates are reflected in the accounting period when known. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Contract losses are recognized when current estimates of total contract revenue and contract cost indicate a loss. Estimated contract costs include any and all costs appropriately allocable to the contract. The provision for these contract losses will be the excess of estimated contract costs over estimated contract revenues. Changes in job performance, job conditions and estimated profitability, including those changes arising from contract change orders, penalty provisions and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. The Company uses significant judgements in determining estimated contract costs and completion percentages throughout the life of the project. Stock modular building sales also occur and are recognized at a point in time when the performance obligation is fulfilled through substantial completion. Substantial completion is achieved through customer acceptance of the completed building. The Modular Buildings segment executes contracts with customers that can be short- or long-term in nature. These contracts can have multiple performance obligations and revenue from these can be recognized over time or at a point in time depending on the nature of the contracts. Payment terms for the Modular Buildings segment vary by contract, but typically utilize money down and progress payments throughout the life of the contract. The payment terms of the Modular Buildings segment have the most impact on the Company's contract receivables, contract assets and contract liabilities. Project invoicing from the Modular Buildings segment increases contract receivables and has an effect on contract liabilities through billings in excess of costs, estimated gross profit and customer deposits. The balance of contract assets is typically made up of the balance of costs and estimated gross profit in excess of billings. Costs and profit in excess of amounts billed are classified as current assets and billings in excess of cost and profit are classified as current liabilities.

The Agricultural Products segment offers variable consideration in the form of discounts depending on participation in yearly early order programs. This variable consideration is allocated to the transaction price of all products in a sales arrangement and is not contingent on future outcomes. The Agricultural Products segment does not offer rebates or credits. The Modular Buildings segment does not offer discounts, rebates or credits.

The Company's returns policy allows for new and saleable parts to be returned, subject to inspection and a restocking charge, which is included in net sales. Whole goods are not returnable. Shipping costs charged to customers are included in net sales. Freight costs incurred are included in cost of goods sold. Customer deposits consist of advance payments from customers, in the form of cash, for revenue to be recognized in the following year.

For information on product warranty as it applies to ASC 606, refer to Note 9, "Product Warranty."

(k) Disaggregation of Revenue

The following table displays revenue by reportable segment from external customers, disaggregated by major source. The Company believes disaggregating by these categories depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

	Twelve Months Ended November 30, 2024		
	Agricultural	Modular Buildings	Total
Farm equipment	\$ 12,404,000	\$ -	\$ 12,404,000
Farm equipment service parts	1,947,000	-	1,947,000
Modular buildings	-	9,386,000	9,386,000
Modular building lease income	-	203,000	203,000
Other	312,000	247,000	559,000
	\$ 14,663,000	\$ 9,836,000	\$ 24,499,000

	Twelve Months Ended November 30, 2023		
	Agricultural	Modular Buildings	Total
Farm equipment	\$ 19,188,000	\$ -	\$ 19,188,000
Farm equipment service parts	2,886,000	-	2,886,000
Modular buildings	-	7,590,000	7,590,000
Modular building lease income	-	112,000	112,000
Other	393,000	112,000	505,000
	\$ 22,467,000	\$ 7,814,000	\$ 30,281,000

[Table of Contents](#)

The Company began offering floorplan terms in its Agricultural Products segment during its Fall 2021 early order program to incentivize customers to stock farm equipment on their lots during the 2022 fiscal year and continued to offer this program for fiscal 2024. Floorplan terms allow customers to pay the Company at the earliest of retail date or 360 days. This program has an effect on the timing of the Company's fiscal 2024 cash flows compared with historical cash flows.

(l) Contract Receivables, Contract Assets and Contract Liabilities

The following table provides information about contract receivables, contract assets, and contract liabilities from contracts with customers included on the Consolidated Balance Sheets.

	November 30, 2024	November 30, 2023
Receivables	\$ 2,373,000	\$ 3,432,000
Assets	213,000	289,000
Liabilities	2,110,000	767,000

The amount of revenue recognized in fiscal year 2024 that was included in a contract liability at November 30, 2023 was approximately \$692,000 compared to \$1,153,000 for the prior year. The beginning balance of contract receivables, assets and liabilities at December 1, 2022 were \$2,466,000; \$451,000 and \$1,153,000, respectively. The change in contract receivables reflected above results from contract billings for all three segments as performance obligations are met. The decrease in contract assets on November 30, 2024 is due to progress on construction contracts and the reduction of construction costs in excess of billings in the Modular Buildings segment. Contract liabilities include customer deposits and billings in excess of cost and profit on the consolidated balance sheets. Contract receivables decreased during fiscal 2024 as extended term receivables from 2024 were collected. Contract liabilities increased due to scheduled project billing in the Modular Buildings segment to maintain positive cash flow.

The Company will utilize the practical expedient exception for these contracts and will report only on performance obligations greater than one year. As of November 30, 2024, and November 30, 2023, the Company has no performance obligations with an original expected duration greater than one year.

(m) Software Development Costs

The Company capitalizes costs related to software developed or obtained for internal use in accordance with ASC 350-40, Internal-Use Software ("ASC 350-40"). The following illustrates the various stages and related processes of computer software development in accordance with ASC 350-40:

Preliminary project stage: (a) conceptual formulation of alternatives; (b) evaluation of alternatives; (c) determination of existence of needed technology; and (d) final selection of alternatives. Internal and external costs incurred during the preliminary project stage are expensed as incurred.

Application development stage: (a) design of chosen path, including software configuration and software interfaces; (b) coding; installation to hardware; and (c) testing, including parallel processing phase. Internal and external costs incurred to develop internal-use computer software during the application development stage are capitalized. Data conversion costs are expensed as incurred.

Post-implementation-operation stage: (a) training; and (b) application maintenance. Internal and external costs incurred during the post-implementation-operation stage are expensed as incurred.

Certain costs incurred are considered enhancements, or modifications to existing internal-use software that result in additional functionality. Enhancements normally require new software specifications and may also require a change to all or part of the existing software specifications. When this additional functionality is determinable, the related costs are capitalized. Otherwise, costs are expensed as incurred. Capitalization of internal-use software costs ceases when a computer software project is substantially complete and ready for its intended use.

The Company moved to an updated cloud-based version of its QAD enterprise resource planning system in the third fiscal quarter of 2023. Since the software is a cloud computing arrangement, the Company accounts for the software as a service contract while the costs related to implementation still fall under ASC 350-40 for internal use software and are capitalized. Because the agreement is considered a service contract, the implementation costs are amortized over the original service contract period and any automatic renewal period and are included in operating costs with the service contract. The Company had approximately \$61,000 of capitalized costs in other current assets on November 30, 2024 to be amortized as operating expense over the service agreement period through May 31, 2025, compared to \$183,000 on November 30, 2023. The Company amortized approximately \$122,000 of implementation costs in the twelve months ended November 30, 2024, compared to \$30,000 in the twelve months ended November 30, 2023. The Company expensed approximately \$58,000 of non-capitalizable implementation costs for the twelve months ended November 30, 2023.

(m) Research and Development

Research and development costs are expensed when incurred. Such costs approximated \$ 216,000 and \$204,000 for the 2024 and 2023 fiscal years, respectively. Research and development costs are included in engineering expenses on the Consolidated Statements of Operations.

(n) Advertising

Advertising costs are expensed when incurred. Such costs approximated \$ 153,000 and \$229,000 for the 2024 and 2023 fiscal years, respectively. Advertising costs are included in selling expenses on the Consolidated Statements of Operations.

(o) Net Income Per Share of Common Stock

Basic net income per share has been computed on the basis of the weighted average number of shares of common stock outstanding. Diluted net income per share of common stock has been computed on the basis of the weighted average number of shares outstanding plus equivalent shares of common stock assuming exercise of stock options. Potential shares of common stock that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted net income per share of common stock.

Basic and diluted net income per common share have been computed based on the following as of November 30, 2024 and 2023:

	For the Twelve Months Ended	
	November 30, 2024	November 30, 2023
Numerator for basic and diluted net income per share:		
Net income (loss) from continuing operations	\$ (94,466)	\$ 762,789
Net income (loss) from discontinued operations	401,841	(495,820)
Net Income	<u><u>\$ 307,375</u></u>	<u><u>\$ 266,969</u></u>
Denominator:		
For basic net income per share - weighted average common shares outstanding	5,052,167	5,002,238
Effect of dilutive stock options	-	-
For diluted net income per share - weighted average common shares outstanding	<u><u>5,052,167</u></u>	<u><u>5,002,238</u></u>
Net income (loss) per share - Basic:		
Continuing Operations	\$ (0.02)	\$ 0.15
Discontinued Operations	0.08	(0.10)
Net income per share	<u><u>\$ 0.06</u></u>	<u><u>\$ 0.05</u></u>
Net income (loss) per share - Diluted:		
Continuing Operations	\$ (0.02)	\$ 0.15
Discontinued Operations	0.08	(0.10)
Net income per share	<u><u>\$ 0.06</u></u>	<u><u>\$ 0.05</u></u>

(p) Stock-Based Compensation

Stock-based compensation expense reflects the fair value of stock-based awards measured at the grant date and recognized over the relevant vesting period. The Company estimates the fair value of each stock-based award on the measurement date using the Black-Scholes option valuation model which incorporates assumptions as to stock price volatility, the expected life of the options, risk-free interest rate and dividend yield. Restricted stock is valued at market value at the date of grant.

(q) Use of Estimates

Management has made a number of estimates and assumptions related to the reported amount of assets and liabilities, reported amount of revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

(r) Recently Issued Accounting Pronouncements

Recently Adopted Pronouncements

Measurement of Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2016-13, "Measurement of Credit Losses on Financial Instruments." ASU 2016-13 added a current expected credit loss ("CECL") impairment model to U.S. Generally Accepted Accounting Principles, or GAAP, that is based on expected losses rather than incurred losses. Modified retrospective adoption was required with any cumulative-effect adjustment recorded to retained earnings as of the beginning of the period of adoption. ASU 2016-13 was effective for smaller reporting entities for fiscal years beginning after December 15, 2022, including interim periods within the year of adoption. Early adoption was permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted ASU 2016-13 in the first quarter of fiscal 2024. The Company did not make a cumulative-effect adjustment to retained earnings. The application of the CECL impairment model did not have a significant impact on the Company's allowance for uncollectible amounts for accounts receivable.

Accounting Pronouncements Not Yet Adopted

In October 2023, Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2023-06, Disclosure Improvements ("ASU 2023-06"), to clarify or improve disclosure and presentation requirements of a variety of topics and align the requirements in the FASB ASC with the SEC's regulations. The amendments in ASU 2023-06 will become effective on the date the related disclosures are removed from Regulation S-X or Regulation S-K by the SEC, and will no longer be effective if the SEC has not removed the applicable disclosure requirement by June 30, 2027. Early adoption is prohibited. We are currently evaluating the impact of ASU 2023-06 on the Company's consolidated financial statements and disclosures.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting - Improvements to Reportable Segment Disclosures." ASU 2023-07 adds enhanced disclosures about significant segment expenses, clarifies circumstances in which an entity can disclose multiple segment measures of profit and loss and provides new segment disclosure requirements for entities with a single reportable segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. An entity will be required to recast any changes to segment information for prior periods presented. The Company will adopt ASU 2023-07 in fiscal 2025. The Company does not expect the application ASU 2023-07 to have a significant impact on segment disclosures.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". The standard requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The requirements will be effective for annual periods beginning after December 15, 2024. The guidance will be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted. The Company is currently evaluating the potential effect that the updated standard will have on its financial statement disclosures.

(2) Discontinued Operations

On June 7, 2023, the Company announced that it would be discontinuing the operations of its Tools segment in order to focus its efforts and resources on the business segments that have historically been more successful and that are expected to present greater opportunities for meaningful long-term stockholder returns. A large portion of this segment's assets were disposed of in the 3rd quarter of fiscal 2023. The primary asset of this business, the real estate, was sold in October of 2024 for \$1,800,000. The Company recorded a gain on the disposal of the real estate of \$683,685 included in income (loss) from discontinued operations before income taxes on the Consolidated Statements of Operations. The Company's net book value of the asset at the time of sale was \$996,768 and the Company paid \$119,547 in closing costs including real estate agent commission, legal fees and property taxes. The Company's assets and liabilities from this segment were gone prior to November 30, 2024. The cessation of operations and liquidation of the Tools segment represented a strategic shift for the Company. In accordance with ASC Topic 360, the Company presented Tools as discontinued operations for all periods in this report.

The components of discontinued operations in the accompanying Consolidated Balance Sheets are as follows:

	November 30, 2023
Inventory	\$ 18,013
Other current assets	13,945
Current assets of discontinued operations	\$ 31,958
	November 30, 2023
Property, plant, and equipment, net	\$ 1,023,566
Other assets	-
Other assets of discontinued operations	\$ 1,023,566
	November 30, 2023
Accounts payable	\$ 3,539
Current portion of long-term debt	160,599
Other current liabilities	22,651
Current liabilities of discontinued operations	\$ 186,789

[Table of Contents](#)

The components of discontinued operations in the accompanying Consolidated Statement of Operations are as follows:

	Tools	
	Twelve Months Ended	
	November 30, 2024	November 30, 2023
Sales	\$ -	\$ 2,030,714
Cost of goods sold	108,618	2,122,287
Gross profit (loss)	(108,618)	(91,573)
Expenses:		
Engineering	-	-
Selling	253	156,682
General and administrative	9,012	413,857
Total expenses	9,265	570,539
Loss from operations	(117,883)	(662,112)
Other income (expense):		
Interest expense	(49,188)	(61,516)
Gain (loss) on disposal of real estate	683,685	-
Other	558	15,315
Total other income (expense)	635,055	(46,201)
Income (loss) before income taxes	517,172	(708,313)
Income tax expense (benefit)	115,330	(212,493)
Net income (loss)	\$ 401,842	\$ (495,820)

The reportable segment information of discontinued operations is as follows:

	Tools	
	Twelve Months Ended	
	November 30, 2024	November 30, 2023
Revenue from external customers	\$ -	\$ 2,031,000
Gross Profit	\$ (109,000)	\$ (92,000)
Income (loss) from operations	\$ (118,000)	\$ (662,000)
Income (loss) before tax	\$ 517,000	\$ (708,000)
Total Assets	\$ -	\$ 1,056,000
Capital expenditures	\$ -	\$ 16,000
Depreciation & Amortization	\$ 27,000	\$ 135,000

(3) Accounts Receivable

Accounts receivable are shown net of allowances for expected credit losses. Expected losses are recorded in administrative expense at the time of receivable recognition.

A summary of the Company's activity in the allowance for expected credit losses is as follows:

	Twelve Months Ended (Continuing operations) November 30, 2024
Balance, beginning	\$ 32,137
Provision charged to expense	67,170
Less amounts (charged-off) recovered	9,329
Balance, ending	<u><u>\$ 108,636</u></u>

A summary of the Company's activity in the allowance for doubtful accounts under legacy U.S. GAAP is as follows:

	Twelve Months Ended (Continuing operations) November 30, 2023
Balance, beginning	\$ 33,288
Provision charged to expense	(1,151)
Less amounts charged-off	-
Balance, ending	<u><u>\$ 32,137</u></u>

(4) Inventories

Major classes of inventory are:

	November 30, 2024	November 30, 2023
Raw materials	\$ 7,882,271	\$ 8,860,296
Work in process	160,209	281,760
Finished goods	3,942,435	3,472,354
Total Gross Inventory	\$ 11,984,915	\$ 12,614,410
Less: Reserves	(1,657,002)	(1,583,048)
Net Inventory	<u><u>\$ 10,327,913</u></u>	<u><u>\$ 11,031,362</u></u>

(5) Contracts in Progress

Amounts included in the consolidated financial statements related to uncompleted contracts are as follows:

	Cost and Profit in Excess of Billings	Billings in Excess of Costs and Profit
November 30, 2024		
Costs	\$ 594,420	\$ 5,561,121
Estimated earnings	<u><u>208,112</u></u>	<u><u>2,688,242</u></u>
	802,532	8,249,363
Less: amounts billed	(589,337)	(10,178,514)
	<u><u>\$ 213,195</u></u>	<u><u>\$ (1,929,151)</u></u>
November 30, 2023		
Costs	\$ 839,161	\$ 3,228,941
Estimated earnings	<u><u>299,230</u></u>	<u><u>1,421,112</u></u>
	1,138,391	4,650,053
Less: amounts billed	(849,109)	(5,001,342)
	<u><u>\$ 289,282</u></u>	<u><u>\$ (351,289)</u></u>

The amounts billed on long-term contracts are due 30 days from invoice date. All amounts billed are expected to be collected within the next 12 months. Retainage included in accounts receivable was \$0 and \$28,082 as of November 30, 2024 and 2023, respectively.

(6) Property, Plant, and Equipment

Major classes of property, plant, and equipment are:

	November 30, 2024	November 30, 2023
Land	\$ 70,503	\$ 70,503
Buildings and improvements	7,419,101	7,332,416
Construction in Progress	86,284	-
Manufacturing machinery and equipment	10,821,463	10,386,044
Trucks and automobiles	569,852	576,704
Furniture and fixtures	115,059	115,059
Less accumulated depreciation	(13,931,392)	(13,420,131)
Property, plant and equipment	\$ 5,150,870	\$ 5,060,595

Depreciation and amortization expense for continuing operations totaled \$ 868,004 and \$774,365 for the 2024 and 2023 fiscal years, respectively. These totals include amortization of right-of-use assets on finance leases as discussed in Note 1 "Summary of Significant Accounting Policies" section (h) "Leases" above.

(7) Assets Held for Lease

Major components of assets held for lease are:

	November 30, 2024	November 30, 2023
Modular Buildings	\$ 89,033	\$ 145,494
Total assets held for lease	\$ 89,033	\$ 145,494

The Company's Modular Buildings segment enters into leasing arrangements with customers from time-to-time. The Company had four buildings in assets held for lease for the years ending November 30, 2024 and November 30, 2023.

Two modular buildings were sold in fiscal 2023 for \$278,915. The Company recognized a gain on the sale of assets held for lease of approximately of \$114,156 in fiscal 2023.

Rents recognized in sales were related to the leasing of modular buildings as a part of the normal course of business operations of the Modular Buildings segment. There were \$203,388 of rents recognized from assets held for lease included in sales on the Consolidated Statements of Operations during the 2024 fiscal year compared to \$ 111,669 in the 2023 fiscal year.

The future minimum lease receipts from assets held for lease on November 30, 2024 are as follows:

Year Ending November 30, 2025	Amount
Total	<u><u>\$ 79,720</u></u>

[Table of Contents](#)

(8) Accrued Expenses

Major components of accrued expenses are:

	November 30, 2024	November 30, 2023
Accrued salaries, wages, and commissions	\$ 803,662	\$ 805,908
Accrued warranty expense	225,186	295,113
Other	274,870	298,211
	<u>\$ 1,303,718</u>	<u>\$ 1,399,232</u>

(9) Product Warranty

The Company offers warranties of various lengths to its customers depending on the specific product and terms of the customer purchase agreement. The average length of the warranty period is one year from the date of purchase. The Company's warranties require it to repair or replace defective products during the warranty period at no cost to the customer. Product warranty is included in the price of the product and provides assurance that the product will function in accordance with agreed-upon specifications. It does not represent a separate performance obligation under ASC 606. The Company records a liability for estimated costs that may be incurred under its warranties. The costs are estimated based on historical experience and any specific warranty issues that have been identified. Although historical warranty costs have been within expectations, there can be no assurance that future warranty costs will not exceed historical amounts. The Company periodically assesses the adequacy of its recorded warranty liability and adjusts the balance as necessary.

Changes in the Company's product warranty liability included in accrued expenses for the 2024 and 2023 fiscal years are as follows:

	For the Twelve Months Ended	
	November 30, 2024	November 30, 2023
Balance, beginning	\$ 295,113	\$ 192,301
Settlements / adjustments	(400,739)	(330,951)
Warranties issued	330,812	433,763
Balance, ending	<u>\$ 225,186</u>	<u>\$ 295,113</u>

(10) Loan and Credit Agreements

Bank Midwest Revolving Lines of Credit and Term Loans

The Company maintains a \$5,500,000 revolving line of credit (the "Line of Credit") with Bank Midwest. On November 30, 2024, the balance of the Line of Credit was \$1,928,437 with \$3,571,563 remaining available, as may be limited by the borrowing base calculation. The Line of Credit borrowing base is an amount equal to 75% of accounts receivable balances (discounted for aged receivables), plus 50% of net inventory, less any outstanding loan balance on the Line of Credit. On November 30, 2024, the Line of Credit was not limited by the borrowing base calculation. Any unpaid principal amount borrowed on the Line of Credit accrues interest at a floating rate per annum equal to 0.75% above the Wall Street Journal rate published in the money rates section of the Wall Street Journal. The interest rate floor is set at 4.25% per annum and the current interest rate is 8.25% per annum. The Line of Credit was most recently renewed on March 4, 2024. The Line of Credit matures on March 30, 2025 and requires monthly interest-only payments. The Line of Credit is governed by the terms of a Promissory Note, dated March 4, 2024, entered into between the Company and Bank Midwest.

The Company carries a \$2,600,000 term loan with Bank Midwest due October 1, 2037 (the "Term Loan"). The Term Loan accrues interest at a rate of 7.00%. The interest rate may only be adjusted by Bank Midwest once every five years. Monthly payments of \$19,648 in principal and interest are required on the Term Loan. The Term Loan is also guaranteed by the United States Department of Agriculture ("USDA"), which required an upfront guarantee fee of \$62,400 and requires an annual fee of 0.5% of the unpaid balance. As part of the USDA guarantee requirements, shareholders owning more than 20% are required to personally guarantee a portion of the Term Loan, in an amount equal to their stock ownership percentage. The J. Ward McConnell Jr. Living Trust, the estate of the former Vice Chairman of the Board of Directors and a shareholder owning more than 20% of the Company's outstanding stock, is guaranteeing approximately 38% of the Term Loan, for an annual fee of 2% of the personally guaranteed amount. The initial guarantee fee will be amortized over the life of the Term Loan, and the annual fees and personally guaranteed amounts are expensed monthly. The Term Loan is governed by the terms of a Promissory Note, dated September 28, 2017, entered into between the Company and Bank Midwest. The Company made a \$ 209,836 principal payment on the term loan on October 23, 2024 after receiving proceeds from the sale of the Ohio real estate.

[Table of Contents](#)

The Company previously carried a Roof Term Loan (the "Roof Term Loan") of \$ 350,000 with Bank Midwest entered into on May 17, 2022 with a maturity date of May 15, 2027. The Roof Term Loan's principal balance of \$325,789 was paid off on October 23, 2024 with proceeds received from the sale of the Ohio real estate associated with the Company's discontinued Tools segment.

In connection with the Line of Credit, the Company, Art's-Way Scientific, Inc. and Ohio Metal Working Products/Art's-Way Inc. each entered into a Commercial Security Agreement with Bank Midwest, dated September 28, 2017, pursuant to which each granted to Bank Midwest a first priority security interest in certain inventory, equipment, accounts, chattel paper, instruments, letters of credit and other assets to secure the obligations of the Company under the line of credit. Each of Art's-Way Scientific, Inc. and Ohio Metal Working Products/Art's-Way Inc. also agreed to guarantee the obligations of the Company pursuant to the Line of Credit, as set forth in Commercial Guaranties, each dated September 28, 2017. The Ohio Metal Working Products/Art's-Way Inc.'s mortgage, commercial security agreements and commercial guaranties were released upon sale of the Ohio real estate associated with the Company's discontinued Tools segment in October of 2024.

The Term Loan is secured by a mortgage on the Company's Armstrong, Iowa and Monona, Iowa properties. Each mortgage is governed by the terms of a separate Mortgage, dated September 28, 2017, and each property is also subject to a separate Assignment of Rents, dated September 28, 2017.

If the Company or its subsidiaries (as guarantors pursuant to the Commercial Guaranties) commits an event of default with respect to the promissory notes and fails or is unable to cure that default, Bank Midwest may immediately terminate its obligation, if any, to make additional loans to the Company and may accelerate the Company's obligations under the promissory notes. Bank Midwest shall also have all other rights and remedies for default provided by the Uniform Commercial Code, as well as any other applicable law and the various loan agreements. In addition, in an event of default, Bank Midwest may foreclose on the mortgaged property.

Compliance with Bank Midwest covenants is measured annually on November 30 with the exception of the Company's working capital requirement, which is measured monthly. The terms of the Bank Midwest loan agreements require the Company to maintain a minimum of \$4,000,000 of monthly working capital. The Company is also required to maintain a minimum debt service coverage ratio of 1.25, with a 0.10 tolerance. The Company also must receive bank approval for purchases or sales of equipment over \$100,000 annually and maintain reasonable salaries and owner compensation. The Company received the necessary approvals for purchases of equipment over \$100,000 for the twelve months ended November 30, 2024. The Company was in compliance with all covenants of Bank Midwest loans as of November 30, 2024. The next measurement date is November 30, 2025 for all covenants except the monthly working capital requirement.

SBA Economic Injury Disaster Loans

In June of 2020, the Company executed the standard loan documents required for securing loans offered by the U.S. Small Business Administration under its Economic Injury Disaster Loan ("EIDL") assistance program in light of the impact of the COVID-19 pandemic on the Company's business. Two loans were executed on June 18, 2020 with principal amounts of \$150,000 each, with a third loan being executed on June 24, 2020 with a principal amount of \$150,000. Proceeds from these EIDLs were used for working capital purposes. Interest accrues at the rate of 3.75% per annum and will accrue from the date of inception. Installment payments, including principal and interest, are due monthly beginning December 18, 2022 (thirty months from the date of the EIDLs) and December 24, 2022 in the amount of \$731 per EIDL. The balance of principal and interest is payable 30 years from the date of the EIDL. The EIDLs are secured by a security interest on all of the Company's assets. Each EIDL is governed by the terms of a separate Promissory Note, dated either June 18, 2020 or June 24, 2020, as applicable, entered into by the Company or the applicable subsidiary. The Company paid off the EIDL related to the Tools segment on November 22, 2024 after receiving proceeds from the Ohio real estate sale.

[Table of Contents](#)

A summary of the Company's term debt is as follows:

	November 30, 2024	November 30, 2023
Bank Midwest loan payable in monthly installments of \$ 19,648 including interest at 7.00%, due October 1, 2037	1,779,877	2,080,718
Bank Midwest loan payable in monthly installments of \$ 2,972 including interest at 7.00%, due May 15, 2027	-	336,858
U.S. Small Business Administration loan payable in monthly installments of \$ 731 including interest at 3.75% beginning December 18, 2022, due June 18, 2050	157,304	160,583
U.S. Small Business Administration loan payable in monthly installments of \$ 731 including interest at 3.75% beginning December 18, 2022, due June 18, 2050	-	160,599
U.S. Small Business Administration loan payable in monthly installments of \$ 731 including interest at 3.75% beginning December 24, 2022, due June 24, 2050	157,785	160,896
Total term debt	\$ 2,094,966	\$ 2,899,654
Less term debt of discontinued operations	\$ -	\$ 160,599
Term debt, continuing operations	2,094,966	2,739,055
Less current portion of term debt	119,734	109,193
Term debt, excluding current portion	\$ 1,975,232	\$ 2,629,862

A summary of the minimum maturities of term debt follows for the years ending November 30:

Year	Amount
2025	\$ 119,734
2026	127,462
2027	136,596
2028	146,078
2029	156,874
2030 and thereafter	1,408,222
	<u>\$ 2,094,966</u>

(11) Related Party Transactions

During the 2024 and 2023 fiscal years, the Company did not recognize any revenues from transactions with a related party, and no amounts in accounts receivable balances were due from a related party. From time to time, the Company purchases various supplies from related parties, which are companies in which Marc McConnell, the Company's Chairman, President and Chief Executive Officer, has an ownership interest and also serves as President. J. Ward McConnell Jr.'s estate, the J. Ward McConnell, Jr. Living Trust, is paid a monthly fee to guarantee a portion of the Company's term debt in accordance with the USDA guarantee obtained on the Company's term debt. In the 2024 fiscal year, the Company recognized \$15,193 of expense for transactions with related parties, compared to \$ 16,102 in the 2023 fiscal year. As of November 30, 2024, accrued expenses contained a balance of \$1,153 owed to a related party compared to \$ 1,339 on November 30, 2023.

(12) Employee Benefit Plans

The Company sponsors a defined contribution 401(k) savings plan which covers substantially all full-time employees who meet eligibility requirements. Participating employees may contribute as salary reductions any amount of their compensation up to the limit prescribed by the Internal Revenue Code. The Company makes a 50% matching contribution to employees up to 3% of eligible compensation. The Company's continuing operations recognized an expense of \$115,447 and \$112,297 related to this plan during the 2024 and 2023 fiscal years, respectively.

(13) Equity Incentive Plan

On February 25, 2020, the Board of Directors of the Company (the "Board") authorized and approved the Art's-Way Manufacturing Co., Inc. 2020 Equity Incentive Plan (the "2020 Plan"). The 2020 Plan was approved by the stockholders on April 30, 2020. The 2020 Plan replaced the Art's-Way Manufacturing Co., Inc. 2011 Equity Incentive Plan (the "2011 Plan") and added an additional 500,000 shares to the number of shares reserved for issuance pursuant to equity awards. No further awards will be made under the 2011 Plan or other prior plans. Awards to directors and executive officers under the 2020 Plan are governed by the forms of agreement approved by the Board. Stock options or other awards granted prior to February 25, 2020 are governed by the applicable prior plan and the forms of agreement adopted thereunder.

The 2020 Plan permits the plan administrator to award nonqualified stock options, incentive stock options, restricted stock awards, restricted stock units, performance awards, and stock appreciation rights to employees (including officers), directors, and consultants. During each of fiscal years 2024 and 2023, directors were automatically granted restricted stock awards of 1,000 shares of fully vested common stock annually or initially upon their election to the Board and another 1,000 shares of fully vested common stock on the last business day of each fiscal quarter pursuant to a Board approved director compensation policy.

Shares issued under the 2020 Plan for the years ended November 30, 2024 and 2023 are as follows:

	For the Twelve Months Ended November 30, 2024	November 30, 2023
Shares issued to directors (immediate vesting)	25,000	25,000
Shares issued to directors, employees, and consultants (three-year vesting)	69,000	82,250
Unvested shares forfeit upon termination	(51,749)	(13,999)
Net shares issued	42,251	93,251

Book and tax stock-based compensation expense for the years ended November 30, 2024 and 2023 are as follows:

	For the Twelve Months Ended November 30, 2024	November 30, 2023
Stock-based compensation expense	182,847	292,185
Treasury share repurchase expense	(37,654)	(68,536)
Stock-based compensation expense net of treasury repurchases	145,193	223,649
	For the Twelve Months Ended November 30, 2024	November 30, 2023
Tax deductions from stock-based compensation expense	202,557	232,723

Stock-based compensation expense reflects the fair value of stock-based awards measured at the grant date and recognized over the relevant vesting period. The Company estimates the fair value of each stock-based option award on the measurement date using the Black-Scholes option valuation model which incorporates assumptions as to stock price volatility, the expected life of the options, risk-free interest rate, and dividend yield. Expected volatility is based on historical volatility of the Company's stock and other factors. The Company uses historical option exercise and termination data to estimate the expected term the options are expected to be outstanding. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield is calculated using historical dividend amounts and the stock price at the option issuance date. No stock options were granted during the years ended November 30, 2024 or 2023.

[Table of Contents](#)

The following is a summary of activity under the plans as of November 30, 2024 and 2023, and changes during the years then ended:

2024 Option Activity

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options O/S at beginning of period	8,000	\$ 5.43		
Granted	-	\$ -		
Exercised	-	\$ -		
Options Expired or Forfeited	(4,000)	\$ 6.15		
Options O/S at end of Period	4,000	\$ 4.70	0.39	-
Options Exer. at end of the Period	4,000	\$ 4.70	0.39	-

2023 Option Activity

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options O/S at beginning of period	12,000	\$ 5.75		
Granted	-	\$ -		
Exercised	-	\$ -		
Options Expired or Forfeited	(4,000)	\$ 6.40		
Options O/S at end of Period	8,000	\$ 5.43	0.90	-
Options Exer. at end of the Period	8,000	\$ 5.43	0.90	-

(15) Income Taxes

Total income tax expense for the 2024 and 2023 fiscal years consists of the following:

	November 30, 2024	November 30, 2023
Current expense	\$ 11,389	\$ 11,284
Deferred expense	62,916	102,182
Total income tax expense	74,305	113,466
Income tax expense (benefit) - discontinued operations	115,330	(212,493)
Income tax expense (benefit) - continuing operations	<u>\$ (41,025)</u>	<u>\$ 325,959</u>

The reconciliation of the statutory Federal income tax rate is as follows:

	November 30, 2024	November 30, 2023
Statutory federal income tax rate	21.0%	21.0%
State taxes (net of federal)	4.5	4.9
Permanent Differences and Other	4.8	4.0
	<u>30.3%</u>	<u>29.9%</u>

The primary driver for the increase in effective tax rate was due to add backs for taxable grants.

Tax effects of temporary differences that give rise to significant portions of the deferred tax assets (liabilities) on November 30, 2024 and 2023 are presented as approximate amounts below:

	November 30	
	2024	2023
Deferred tax assets		
Accrued expenses	\$ 87,153	\$ 106,356
Inventory capitalization	142,471	155,705
NOL and tax credit carryforward	1,653,212	1,773,588
Asset reserves	591,025	539,848
Total deferred tax assets	<u>\$ 2,473,861</u>	<u>\$ 2,575,497</u>
Deferred tax liabilities		
Property, plant, and equipment	\$ (33,564)	\$ (72,284)
Total deferred tax liabilities	<u>\$ (33,564)</u>	<u>\$ (72,284)</u>
Net deferred tax assets (liabilities)	<u>\$ 2,440,297</u>	<u>\$ 2,503,213</u>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company's 2023 tax return included net operating losses (NOL) carryovers amounting to approximately \$2,473,000 and tax credit carryforward amounting to approximately \$ 109,000 for its U.S. operations that will expire on November 30, 2036, 2037, 2038, 2039 and 2040. The Company also carried over another \$ 4,995,000 of net operating losses that can be carried forward indefinitely. Management expects to consume approximately \$116,000 of NOLs for the 2024 tax year and believes that the Company will be able to utilize the remaining U.S. net operating losses and credits before their expiration.

(16) Disclosures About the Fair Value of Financial Instruments

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties. On November 30, 2024 and November 30, 2023, the carrying amount approximated fair value for cash, accounts receivable, operating and finance leases, accounts payable, notes payable to bank, and other current and long-term liabilities. The carrying amounts of current assets and liabilities approximate fair value because of the short maturity of these instruments. The fair value of the Company's term loans payable also approximates recorded value because the interest rates charged under the loan terms are not substantially different from current interest rates.

(17) Litigation and Contingencies

Various legal actions and claims can arise in the normal course of business that may be pending against the Company. In the opinion of management, the Company has recorded adequate provisions, if any, in the accompanying financial statements for any pending legal actions and other claims.

(18) Segment Information

There are two reportable segments: Agricultural Products and Modular Buildings. The Agricultural Products segment fabricates and sells farming products as well as replacement parts for these products in the United States and worldwide. The Modular Buildings segment produces modular buildings for animal containment and various laboratory uses.

The accounting policies applied to determine the segment information are the same as those described in the summary of significant accounting policies. Management evaluates the performance of each segment based on profit or loss from operations before income taxes.

Approximate financial information with respect to the reportable segments is as follows.

	Twelve Months Ended November 30, 2024		
	Agricultural Products	Modular Buildings	Consolidated
Revenue from external customers	\$ 14,663,000	\$ 9,836,000	\$ 24,499,000
Gross profit	\$ 4,155,000	\$ 3,155,000	\$ 7,310,000
Income (loss) from operations	\$ (1,510,000)	\$ 1,971,000	\$ 461,000
Income (loss) before tax	\$ (2,065,000)	\$ 1,930,000	\$ (135,000)
Total Assets	\$ 18,372,000	\$ 2,869,000	\$ 21,241,000
Capital expenditures (1)	\$ 587,000	\$ 176,000	\$ 763,000
Depreciation & Amortization	\$ 617,000	\$ 251,000	\$ 868,000

	Twelve Months Ended November 30, 2023		
	Agricultural Products	Modular Buildings	Consolidated
Revenue from external customers	\$ 22,467,000	\$ 7,814,000	\$ 30,281,000
Gross profit	\$ 6,584,000	\$ 2,000,000	\$ 8,584,000
Income (loss) from operations	\$ 664,000	\$ 867,000	\$ 1,531,000
Income (loss) before tax	\$ 140,000	\$ 949,000	\$ 1,089,000
Total Assets	\$ 20,754,000	\$ 2,593,000	\$ 23,347,000
Capital expenditures (2)	\$ 781,000	\$ 195,000	\$ 976,000
Depreciation & Amortization	\$ 521,000	\$ 284,000	\$ 805,000

(1) FY 2024 capital expenditures include finance leased assets of \$ 39,000 in the Agricultural Products segment.

(2) FY 2023 capital expenditures include finance leased assets of \$ 118,000 in the Agricultural Products segment and \$ 17,000 in the Modular Buildings segment.

(19) Subsequent Events

Management evaluated all other activity of the Company and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE .

None.

Item 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

The persons serving as our principal executive officer and principal financial officer have evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period subject to this report. Based on this evaluation, the persons serving as our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of November 30, 2024. Our management has concluded that the consolidated financial statements included in this report present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act. Internal control over financial reporting is a process designed 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. Under the supervision and with the participation of management, including the persons serving as our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management has concluded that our internal control over financial reporting was effective as of November 30, 2024.

This report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this report.

Limitations on Controls

Our management, including the persons serving as our principal executive officer and principal financial officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. In addition, the design of any system of controls is based in part on certain assumptions about the likelihood of future events, and controls may become inadequate if conditions change. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Changes to Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended November 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION.

Insider Trading Arrangements. During the quarter ended November 30, 2024, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (as such terms are defined in Item 408 of Regulation S-K).

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by Item 10 is incorporated by reference to the sections entitled "Questions and Answers about the 2025 Annual Meeting and Voting," "Election of Directors," "Delinquent Section 16(a) Reports," "Corporate Governance," and "Executive Officers" in our definitive proxy statement relating to our 2025 Annual Meeting of Stockholders.

Item 11. EXECUTIVE COMPENSATION.

The information required by Item 11 is incorporated by reference to the sections entitled "Executive Compensation" and "Director Compensation" in our definitive proxy statement relating to our 2025 Annual Meeting of Stockholders.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS .

The information required by Item 12 is incorporated by reference to the sections entitled "Security Ownership of Principal Stockholders," "Security Ownership of Directors and Management" and "Equity Compensation Plan Information" in our definitive proxy statement relating to our 2025 Annual Meeting of Stockholders.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE .

The information required by Item 13 is incorporated by reference to the sections entitled "Corporate Governance" and "Certain Transactions and Business Relationships" in our definitive proxy statement relating to our 2025 Annual Meeting of Stockholders.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is incorporated by reference to the section entitled "Independent Registered Public Accountant Firm" in our definitive proxy statement relating to our 2025 Annual Meeting of Stockholders.

PART IV

Item 15. EXHIBITS, AND FINANCIAL STATEMENT SCHEDULES.

(A) Financial Statements. The following financial statements are included in "Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA" of this report:

Report of Eide Bailly, LLP (PCAOB ID 286) on Consolidated Financial Statements as of November 30, 2024 and 2023

Consolidated Balance Sheets as of November 30, 2024 and 2023

Consolidated Statements of Operations for each of the years ended November 30, 2024 and 2023

Consolidated Statements of Stockholders' Equity for each of the years ended November 30, 2024 and 2023

Consolidated Statements of Cash Flows for each of the years ended November 30, 2024 and 2023

Notes to Consolidated Financial Statements

(B) Financial Statement Schedules.

Not applicable.

(C) Exhibits.

Exhibit No.	Description
3.1	Conformed Certificate of Incorporation of Art's-Way Manufacturing Co., Inc. – incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2020.
3.2	Conformed Bylaws of Art's-Way Manufacturing Co., Inc. – incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2020.
4.1	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 – incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2019.
10.1*	Art's-Way Manufacturing Co., Inc. 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 4, 2020).
10.2*	Form of Restricted Stock Agreement under 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed May 4, 2020).
10.3*	Form of Restricted Stock Unit Agreement under 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed May 4, 2020).
10.4*	Form of Incentive Stock Option Award under 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed May 4, 2020).
10.5*	Form of Non-Qualified Option Award under 2020 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed May 4, 2020).
10.6*	Employment Agreement between the Company and Michael Woods, dated February 1, 2020 – incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 3, 2020.

Table of Contents

- 10.7 [Promissory Note, between Bank Midwest and Art's-Way Manufacturing Co., Inc. dated March 4, 2024 - incorporated by reference to Exhibit 10.1 to Company's Quarterly report on Form 10-Q filed April 11, 2024.](#)
- 10.8 [Promissory Note, between Bank Midwest and Art's-Way Manufacturing Co., Inc., dated September 28, 2017 – incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed October 2, 2017.](#)
- 10.9 [Promissory Note \(Term Loan\), between Bank Midwest and Art's-Way Manufacturing Co., Inc., dated May 17, 2022 – incorporated by reference Exhibit 10.2 to the Company's Current Report on Form 8-K filed May 23, 2022.](#)
- 10.10 [Change in Terms Agreement between the Company and Bank Midwest, dated March 29, 2023 – incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed July 13, 2023.](#)
- 10.11 [Promissory Note, between Bank Midwest and Art's-Way Manufacturing Co., Inc. dated August 30, 2023 - incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed October 13, 2023.](#)
- 10.12 [Change in Terms Agreement between the Company and Bank Midwest, dated November 29, 2023 – incorporated by reference to Exhibit 1.01 to the Company's Current Report on Form 8-K filed December 4, 2023.](#)
- 10.13 [Commercial Guaranty, by Ohio Metal Working Products/Art's-Way Inc., dated September 28, 2017 - incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed October 2, 2017](#)
- 10.14 [Commercial Guaranty, by Art's-Way Scientific Inc., dated September 28, 2017 – incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed October 2, 2017.](#)
- 10.15 [Commercial Security Agreement, between Bank Midwest and Art's-Way Manufacturing Co., Inc., dated September 28, 2017 – incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed October 2, 2017.](#)
- 10.16 [Commercial Security Agreement, between Bank Midwest and Ohio Metal Working Products/Art's-Way Inc., dated September 28, 2017 – incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed October 2, 2017.](#)
- 10.17 [Commercial Security Agreement, between Bank Midwest and Art's-Way Scientific Inc., dated September 28, 2017 – incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed October 2, 2017.](#)
- 10.18 [Open-End Mortgage \(3620 Progress Street NE, Canton, OH 44705\), by Ohio Metal Working Products/Art's-Way Inc., dated September 28, 2017 – incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K filed October 2, 2017.](#)
- 10.19 [Mortgage \(5556 Highway 9 and 203 West Oak Street, Armstrong & Monona, Iowa, 50514/55215\), by Art's-Way Manufacturing Co., Inc., dated September 28, 2017 – incorporated by reference to Exhibit 10.11 to the Company's Current Report on Form 8-K filed October 2, 2017.](#)
- 10.20 [Modification of Mortgage \(3620 Progress Street NE, Canton, OH 44705\), by Ohio Metal Working Products/Art's-Way Inc., dated March 30, 2018 – incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed April 2, 2018.](#)
- 10.21 [Assignment of Rents \(3620 Progress Street NE, Canton, OH 44705\), by Ohio Metal Working Products/Art's-Way Inc., dated September 28, 2017 – incorporated by reference to Exhibit 10.13 to the Company's Current Report on Form 8-K filed October 2, 2017.](#)
- 10.22 [Assignment of Rents \(5556 Highway 9 and 203 West Oak Street, Armstrong & Monona, Iowa, 50514/55215\), by Art's-Way Manufacturing Co., Inc., dated September 28, 2017 – incorporated by reference to Exhibit 10.15 to the Company's Current Report on Form 8-K filed October 2, 2017.](#)
- 10.23 [Promissory Note, between the U.S. Small Business Administration and Art's-Way Scientific Inc., dated June 18, 2020 – incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter filed July 10, 2020.](#)

Table of Contents

10.24	Promissory Note, between the U.S. Small Business Administration and Ohio Metal Working Products/Art's-Way, dated June 18, 2020 – incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed July 10, 2020
10.25	Promissory Note, between the U.S. Small Business Administration and Art's-Way Manufacturing Co., Inc., dated June 24, 2020 – incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed July 10, 2020
10.26*	Employment Agreement between the Company and David A. King, effective March 30, 2020 - incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended February 29, 2020
10.27*	Separation Agreement and General Release, between the Company and David A. King, dated October 1, 2024 - incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 4, 2024
10.28	Commercial/Industrial Real Estate Purchase Agreement (Canton, OH property), between Ohio Metal Working Products/Art's-Way Inc., dated August 2, 2024 - incorporated by reference to Exhibit 1.01 to the Company's Current Report on Form 8-K filed August 7, 2024
19.1	ARTW Insider Trading Policy - filed herewith
21.1	List of Subsidiaries – filed herewith
23.1	Consent of independent registered public accounting firm – filed herewith
24.1	Power of Attorney (included on the "Signatures" page of this Annual Report on Form 10-K)
31.1	Certificate pursuant to 17 CFR 240 13(a)-14(a) – filed herewith
31.2	Certificate pursuant to 17 CFR 240 13(a)-14(a) – filed herewith
32.1	Certificate pursuant to 18 U.S.C. Section 1350 – furnished herewith
32.2	Certificate pursuant to 18 U.S.C. Section 1350 – furnished herewith
97.1	Art's-Way Manufacturing Co., Inc. Clawback Policy - filed herewith
101	The following materials from this report, formatted in iXBRL (Inline Extensible Business Reporting Language) are filed herewith: (i) consolidated balance sheets, (ii) consolidated statement of operations, (iii) consolidated statements of cash flows, and (iv) the notes to the condensed consolidated financial statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

(*) Indicates a management contract or compensatory plan or arrangement.

Item 16. FORM 10-K SUMMARY.

Registrants may voluntarily include a summary of information required by Form 10-K under this Item 16. We have elected not to include such summary information.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ART'S-WAY MANUFACTURING CO., INC.

Date: February 18, 2025

By: /s/ Marc H. McConnell

Marc H. McConnell, Chairman, President and Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below appoints Marc H. McConnell his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all said attorney-in-fact and agent, or her substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 18, 2025

/s/ Marc H. McConnell

Marc H. McConnell, Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Date: February 18, 2025

/s/ Michael W. Woods

Michael W. Woods, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Date: February 18, 2025

/s/ Thomas E. Buffamante

Thomas E. Buffamante, Director

Date: February 18, 2025

/s/ Randall C. Ramsey

Randall C. Ramsey, Director

Date: February 18, 2025

/s/ Matthew N. Westendorf

Matthew N. Westendorf, Director

Date: February 18, 2025

/s/ David A. White

David A. White, Director

**POLICY STATEMENT
ON
INSIDE INFORMATION AND SECURITIES TRADING
BY
ART'S-WAY MANUFACTURING CO., INC. PERSONNEL AND DIRECTORS**

Adopted January 24, 2025

SUMMARY

We are adopting this Policy Statement for all directors, officers and employees of Art's-Way Manufacturing Co., Inc. and its subsidiaries (collectively, "Art's-Way" or the "Company"), as such persons may have access to material, non-public information (so-called "inside information") about the Company and its customers and suppliers at one time or another. Inside information is information that is not available to the public, but which an investor might consider important in deciding whether to buy or sell a company's securities. It certainly includes any information that would affect the public market price for a company's stock. Such information could include major new product introductions, the addition or loss of a significant customer or supplier, a significant change in the level of business with an existing customer or supplier and discussions of potential acquisitions or mergers. Either positive or negative information may be "inside information."

Both federal securities laws and Company policy prohibit transactions in securities of the Company at a time when you may be in possession of material information about the Company that has not been publicly disclosed. In addition, you are also prohibited from buying or selling the securities of a customer or supplier when you have received, through your employment or other relationship with Art's-Way, material non-public information about that customer or supplier. In the event that you possess material non-public information, you should not engage in open market transactions in securities of the respective company about which you possess such information, including certain transactions in derivative securities. Anyone who violates these prohibitions can face serious criminal and civil penalties.

Once a public announcement has been made of the material information, you should, at a minimum, wait to engage in any market trade of Company stock until the later of the next business day or twenty-four hours following the announcement (e.g., announcement at 10:00 a.m. on Monday, trade at 10:00 a.m. on Tuesday; announcement at 2:00 p.m. on Friday, trade at 8:00 a.m. on Monday), assuming at the time of the transaction you do not have other material information that has not been made public.

These prohibitions also apply to members of your household as well as affiliates and all others whose transactions may be attributable to you. This means that you should be careful not to disclose material non-public information to anyone without a need to know, especially to those outside the Company. This information is owned by the Company and must be protected as such. You could be criminally and civilly liable for aiding and abetting insider trading if you disclose inside information to another person and that person trades in the Company's securities on the basis of the information you provided. **Any questions from brokers, securities analysts or the media regarding the Company should be directed to the Company's Chief Executive Officer, or any person designated by such person to respond to questions relating to the Company, the Company's securities or this Policy Statement.**

For further information and guidance, please refer to the entire Policy Statement set forth below, or contact the Company's Chief Executive Officer or any person designated by such officer to respond to questions relating to the Company, the Company's securities or this Policy Statement (each officer or designated person is referred to herein as a "Securities Trading Administrator").

The Need For a Policy Statement

The Company's stock is publicly traded; therefore, the Company is required to take active steps to prevent violations of insider trading laws by Company directors and personnel. Although insider trading has long been illegal, over the years Congress has expanded the enforcement authority of the Securities and Exchange Commission ("SEC") and the Justice Department, increased substantially the civil and criminal penalties for insider trading, and created new potential liability for companies and other "controlling persons" such as directors for violations by company personnel.

We are adopting this Policy Statement to avoid even the appearance of improper conduct on the part of anyone employed by or associated with Art's-Way (because anyone with non-public information is considered an "insider"). We have all worked hard to establish our reputation for integrity and ethical conduct. We cannot afford to have it damaged.

The Consequences

The consequences of insider trading violations can be severe:

For individuals who trade on inside information (or tip information to others):

- Civil money penalties based on the profit gained or loss avoided;
- A criminal fine (no matter how small the profit); and
- Prison sentences for criminal violations.

For a company (as well as possibly any supervisory person) that fails to take appropriate steps to prevent illegal trading:

- A civil money penalty based on the profit gained or loss avoided as a result of the individual's unlawful purchase, sale or communication; and
- A criminal fine.

The civil penalties may extend personal liability to a company's directors, officers and other supervisory personnel if they fail to take appropriate steps to prevent insider trading. In addition, any director, officer, employee or consultant who violates the Company's confidential information and securities trading policy faces discipline or even dismissal for cause. Needless to say, any of the above consequences, or even an SEC investigation that does not result in prosecution, can tarnish one's reputation and irreparably damage a career.

Our Policy

If a Company director, officer, employee or representative has material non-public information relating to the Company (so-called "inside information" of a nature which could affect its stock price or affect an investor's decision to buy or sell the Company's stock), it is our policy that neither that person nor any affiliate, related person or other person residing in the home of that individual may buy or sell Company securities or engage in any other action to take advantage of, or to pass on to others, that information. Please note that you need not be an employee or a director to be an "insider." This policy also applies to information relating to any other company, including our customers or suppliers, obtained in the course of the individual's employment or other relationship with Art's-Way.

You may be required from time to time to forego a proposed transaction in the Company's securities even if you planned to make the transaction before learning of the inside information and even though you believe that you may suffer an economic loss or forego anticipated profit by waiting. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) are no exception. Even the appearance of an improper transaction must be avoided to preserve our reputation for adhering to the highest standards of conduct, and to avoid an inquiry regarding civil and criminal liability for trading on inside information.

Material Information. Material information is any information (either positive or negative) that a reasonable investor would consider important in a decision to buy, hold or sell securities. In short, material information is any information that could reasonably affect the price of securities.

Examples. Common examples of information that will frequently be regarded as material are:

- the Company's financial results;
- projections of future earnings or losses;
- news of a pending or proposed merger, acquisition, or tender offer;
- news of a significant sale of assets or the disposition of a subsidiary;
- changes in dividend policies, the declaration of a securities split, or the offering of additional securities;
- changes in management;
- impending bankruptcy or financial liquidity problems;
- the gain or loss of a substantial customer or supplier or a substantial change in business with a customer or supplier;
- new product announcements;
- significant product defect or modification; and
- significant litigation exposure due to actual or threatened litigation.

20/20 Hindsight. Remember, if your securities transactions become the subject of scrutiny, they will be viewed after-the-fact with the benefit of hindsight. As a result, before engaging any securities transaction you should carefully consider how regulators and others might view your transaction in hindsight.

Transactions by Affiliates and Family Members. Under this Policy, the very same restrictions apply to your family members and others living in your household, as well as to persons or entities who are affiliated with you. Company personnel are expected to be responsible for the compliance of affiliates and their immediate family and personal household.

Disclosing Information to Others. Company directors and personnel must not discuss with anyone outside the Company, or with anyone inside the Company without a need to know, material non-public information regarding the Company or its customers, suppliers or other business partners. Company directors and personnel may be criminally and civilly liable for transactions by any person to whom they have disclosed inside information. Such liability may be imposed whether or not you personally derive any benefit from another's use of the information. In order to prevent unintentional disclosure, all inquiries and requests for information regarding the Company or the Company's customers (e.g., from the media, securities brokers or securities analysts) should be referred to a Securities Trading Administrator.

Participating in Internet Discussion Groups. It is improper for persons subject to this Policy Statement to participate in Internet discussion groups, message boards or chat rooms with respect to the Company, including the Company's business, technology, financial projections and stock performance.

Dealing with Rumors. In general, the Company will not comment on rumors about its business affairs, its products and services, or its stock price. Occasionally, a rumor about the Company may begin to affect the market price of the Company's securities. In such cases, the Company, in consultation with its advisors, will promptly assess the nature and significance of the rumor, and may publicly dispel or confirm the rumor. Directors, officers, employees or representatives of the Company who hear a rumor that seems likely to affect the market price of the Company's securities should promptly inform a Securities Trading Administrator. In addition, various securities laws prohibit the circulation of rumors where the underlying intent is to manipulate the price of publicly traded securities. You should always refrain from conveying rumors about the Company to anyone.

When Information is Public. As you can appreciate, it is improper for persons who may have access to inside information to enter a trade immediately after Art's-Way has made a public announcement of material information, including earnings releases, because Company stockholders and the investing public should be afforded the time to receive the information and act upon it. Following any public announcement of material information, persons subject to this Policy Statement should, at a minimum, wait until the next business day to engage in any transactions in Company securities, provided at least twenty-four hours have elapsed. Thus, if an announcement is made on a Monday at 6:00 p.m., the earliest that such persons should trade after the announcement is 6:00 p.m. on Tuesday (assuming you do not have other material non-public information). If an announcement is made on Friday at 6:00 p.m., the earliest that such persons should trade after the announcement is 8:00 a.m. on Monday (again, assuming they do not have other material non-public information). For persons subject to Trading Window restrictions (as described below), this one-day trading restriction applies even during an open Trading Window.

Additional Discouraged and Prohibited Transactions

In order to avoid even the appearance of the use of material non-public information and to discourage short-term or speculative transactions involving Company securities, the Company's directors, officers and certain other key employees or representatives who are likely to have material non-public information, as set forth on Appendix A hereto ("Designated Persons"), should comply with the provisions below with respect to any transaction in Art's-Way securities:

1 . Trading in Company securities on a short-term basis. Any Company securities purchased in the open market should be held for a minimum of six months and ideally longer. (Note that the SEC's short-swing profit rule already prevents directors and executive officers from selling any Company securities within six months of a purchase. We are simply expanding this rule as a strong suggestion to all other Designated Persons.) Stock received pursuant to an equity award granted under a plan or agreement that is registered with the Securities & Exchange Commission on a Form S-8 need not be held for six months. Such stock may be sold at any time, assuming you do not have any material non-public information (and subject, as applicable to volume or other restrictions under Rule 144 and the Trading Window and pre-transaction notification procedures set forth in this Policy Statement).

2 . Purchases on margin or short sales. Even if Art's-Way securities are marginable, Designated Persons shall not "margin" Art's-Way securities, whether for the purchase of Art's-Way securities or any other securities. Such persons also shall not "sell short" Art's-Way securities (a "short sale" is a sale of shares which the seller does not own but expects to purchase in the future at a lower price).

3 . Buying or selling puts or calls on Art 's-Way securities. Designated Persons are prohibited from buying and selling "puts" and "calls" on Art's-Way securities.

Trading Windows and Pre-Transaction Notification Procedures for Designated Persons

Because Designated Persons have regular access to material non-public information, this Policy Statement requires that such persons comply with the Trading Window and pre-transaction notification procedures set forth below. The classes of persons set forth on Appendix A hereto, as amended from time to time by any Securities Trading Administrator, are Designated Persons for the purpose of this Policy Statement. The Trading Window and pre-transaction notification procedures are not applicable to employees or representatives other than the Designated Persons.

Permitted Trading. Designated Persons may engage in stock transactions only during certain window periods (stock options may be exercised at any time so long as trading in the shares acquired pursuant to such exercise does not occur outside the window period). The window during which trades generally will be permitted, provided such trades are entered into after providing pre-transaction notification (see below) and provided that the person engaging in the transaction is not in possession of material non-public information, will begin on the business day following the public release of earnings information for the most recently ended quarter, provided that at least twenty-four hours have elapsed, and end fifteen calendar days prior to the end of the next quarter (such windows are referred to herein as "Trading Windows" or a "Trading Window"). In connection with *all* trades, regardless of date, it is important to remember that it is *always* illegal to trade on inside information.

Event-specific Blackout Periods. Trading Windows may be shortened if the Company determines that an event has occurred which causes any Designated Person to possess material non-public information about Art's-Way (such as a pending major development). The existence of an event-specific blackout will not be announced, other than to those who are aware of the event giving rise to the blackout. If, however, a Designated Person provides pre-transaction notification (see below), the person will be informed of the existence of a blackout period, but not the reason for the blackout. Any person made aware of the existence of an event-specific blackout should not disclose the existence of the blackout to any other person. Even if the Company has not declared an event-specific blackout, no Designated Person should trade while aware of material non-public information.

Pre-Transaction Notification. To provide assistance in preventing inadvertent violations and avoiding even the appearance of an improper transaction (which could result, for example, where a person engages in a trade while unaware of a pending major development), Designated Persons, together with their affiliates, family members and other members of their household, who contemplate in engaging in any transaction in Art's-Way securities (stock option exercises, acquisitions, dispositions, transfers, gifts, etc.) or in securities of a customer, supplier or other business partner of the Company, must notify a Securities Trading Administrator at (712) 864-3131 at least two business days in advance of the proposed transaction. Upon confirmation from a Securities Trading Administrator of existence of a Trading Window, such pre-transaction notification is valid for only two business days. Even if a Securities Trading Administrator confirms the existence of a Trading Window, a person may not engage in the transaction if he or she becomes aware of material nonpublic information concerning the Company prior to completing the transaction. If a Securities Trading Administrator contemplates engaging in any such transaction, he or she shall provide pre-transaction notification to another Securities Trading Administrator or the Chairman of the Board.

The pre-transaction notification procedures set forth above will not apply in a limited number of circumstances, as follows:

- The exercise of stock options, except that the pre-transaction notification procedures do apply to the broker-assisted cashless exercise of such options and open market sales of shares acquired through the exercise of any options. Furthermore, stock option exercises are subject to the terms of the Company's governing stock option and incentive plans and any agreements entered into between the Company and the holders of such options.
- The payment of withholding or employment-related taxes by tendering previously-held shares of the Company's securities or by having shares withheld that would otherwise be issuable upon the exercise of an option, the vesting of restricted shares, or the vesting of other stock-based awards granted pursuant to the Company's incentive plans.
- The transfer of shares to an entity that does not involve a change in the beneficial ownership of the shares, for example, to an inter vivos trust of which a person subject to this Policy Statement is the sole beneficiary during such person's lifetime.

- The purchase of stock through the Company's 401(k) plan through regular payroll deductions, except pre-transaction notification applies to: the sale of any such stock and the election to transfer funds into or out of, or a loan with respect to amounts invested in, the stock fund.
- The purchase of Company stock under any employee stock purchase plan that the Company may adopt, resulting from the periodic contribution of money to the plan pursuant to a payroll deduction election, except pre-transaction notification applies to: the initial election to make such contributions, any subsequent modifications to increase or decrease the percentage of contributions made during each pay period, the termination of contributions, or the sale of Company stock acquired pursuant to any employee stock purchase plan.
- Transactions executed pursuant to a contract, instruction or plan that satisfies Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), so long as the underlying contract, instruction or plan itself complies with the requirements and pre-transaction notification procedures set forth below.

Rule 10b5-1 Trading Arrangements

Notwithstanding the restrictions set forth elsewhere in this Policy Statement, transactions by Company personnel that satisfy the following criteria ("Rule 10b5-1 Transactions") will not be prohibited:

The purchase or sale must occur pursuant to any of the following:

- A binding contract to purchase or sell the security;
- Instructions to another person to purchase or sell the security for the instructing person's account; or
- A written plan for trading securities;

which is delivered in writing to a Securities Trading Administrator, provided the person proposing such contract, instruction or plan is not then aware of any material, non-public information concerning the Company. In addition, if the person proposing such contract, instruction or plan is a Designated Person, such contract, instruction or plan must be adopted during a Trading Window. If a Securities Trading Administrator proposes entering into a contract, instruction or plan, he or she shall provide pre-transaction notification to another Securities Trading Administrator or the Chairman of the Board.

In the case of a director or officer of the Company, no purchases or sales pursuant to a contract, instruction, or plan may occur until expiration of a cooling-off period consisting of the later of:

- i. 90 days after the adoption of the contract, instruction, or plan; or
- ii. 2 business days following the disclosure of the Company's financial results in a Form 10-Q or 10-K for the completed fiscal quarter in which the contract, instruction, or plan was adopted (but, in any event, this required cooling-off period is subject to a maximum of 120 days after adoption of the contract, instruction, or plan).

If the person who entered into the contract, instruction, or plan is not the Company and is not a director or officer of the Company, then no purchases or sales may occur until the expiration of a cooling-off period that is 30 days after the adoption of the contract, instruction, or plan.

The contract, instruction or plan referenced in paragraph 1 above must comply with at least one of the following:

- The contract, instruction or plan specifies the amount of securities to be purchased or sold and the price at which and the date on which the securities are to be purchased or sold;

- The contract, instruction or plan includes a written formula or algorithm, or computer program, for determining the amount of securities to be purchased or sold and the price at which and the date on which the securities were to be purchased or sold; or
- The contract, instruction or plan does not permit the person to exercise any subsequent influence over how, when, or whether to effect purchases or sales; provided, in addition, that any other person who, pursuant to the contract, instruction, or plan did exercise such influence must not have been aware of any material nonpublic information of the Company when doing so.

For purposes of the two foregoing paragraphs, the following definitions shall apply:

- "Amount" means either a specified number of shares or other securities or a specified dollar value of securities.
- "Price" means the market price on a particular date or a limited price, or a particular dollar price.
- "Date" means, in the case of a market order, the specific day of the year on which the order is to be executed (or as soon thereafter as is practicable under ordinary principles of best execution), or in the case of a limit order, a day of the year on which the limit order is enforced.

Additional Requirements

Directors or Company personnel who adopt a contract, instruction or plan meeting the 10b5-1 criteria above may not thereafter deviate from the plan or engage in any corresponding or hedging transaction or positions. Amendments to or terminations of the contract, instruction or plan are permitted, provided at the time of such amendment the individual undertaking the amendment does not have any material, non-public information regarding the Company and subject to the pre-transaction notification procedures contained in paragraph 1 above, including the applicable cooling-off requirement. In addition, if the person undertaking the amendment is a Designated Person, such amendment must be entered into during a Trading Window. Company personnel will remain responsible for all applicable Rule 144 provisions, including the volume and aggregation requirements. In addition, the Company's directors and Section 16 officers must effect in a timely manner all filings under Section 16 of the Exchange Act.

The Company will publicly disclose the adoption, modification, or termination of a contract, instruction, or plan by its directors and executive officers in a Form 10-Q or Form 10-K as required by SEC rules.

In addition to the foregoing, any contract, instruction, or plan must comply with the provisions of SEC Rule 10b5-1, as it may be amended from time to time, or any successor provision.

Post-Termination Transactions

This Policy Statement continues to apply to your transactions in Company securities even after you have terminated employment or other services to the Company or a subsidiary as follows: if you are aware of material non-public information when your employment or service relationship terminates, you may not trade in Company securities until that information has become public or is no longer material.

Certification

Company personnel may be required on a periodic basis to certify their understanding of and intent to comply with this Policy Statement.

Company Assistance

Any person who has any general questions about this Policy Statement or questions about specific transactions should contact a Securities Trading Administrator. Remember, however, the ultimate responsibility for adhering to the Policy Statement and avoiding improper transactions rests with you. In this regard, it is imperative that you use your best judgment.

**APPENDIX A
TO
POLICY STATEMENT ON INSIDE INFORMATION AND SECURITIES TRADING
BY
ART'S-WAY MANUFACTURING CO., INC. PERSONNEL AND DIRECTORS**

DESIGNATED PERSONS

The following classes of persons, along with their affiliates, family members and other members of their household, are "Designated Persons" for the purpose of the Company's Policy Statement on Inside Information and Securities Trading. The Company may amend this Appendix from time to time as it deems necessary.

- All members of the Boards of Directors of Art's-Way Manufacturing Co., Inc. and its subsidiaries.
- All persons designated as "officers" of Art's-Way Manufacturing Co., Inc. as defined in Section 16 of the Securities Exchange Act of 1934, as amended, who are subject to the reporting provisions and trading restrictions thereof.
- All accounting staff of Art's-Way Manufacturing Co., Inc. or any of its subsidiaries, and any other officers, employees and representatives who assist with the preparation of, or have access to, the financial information, financial statements, results of operations or financial forecasts or projections of Art's-Way Manufacturing Co., Inc. or any of its subsidiaries.
- All operations and sales staff of Art's-Way Manufacturing Co., Inc. or any of its subsidiaries, and any other officers, employees and representatives who have access to material purchase or service orders exceeding \$100,000 individually, or access to projections that relate to such orders.
- All human resources personnel who have access to information regarding the employment of officers of Art's-Way Manufacturing Co., Inc. or its subsidiaries.
- All marketing or corporate affairs personnel at Art's-Way Manufacturing Co., Inc. or any of its subsidiaries, and any other officers, employees and representatives who have access to information about the timing of significant product or service upgrades or product or service defects.

[Letter to Directors and Employees – and Certification]

ART'S-WAY MANUFACTURING CO., INC.
[Company Letterhead]

RE: Certification of the Company's Policy Statement on Confidential Information and Securities Trading by Art's-Way Personnel

Dear Art's-Way Personnel and Directors:

Enclosed is a copy of the Company's Policy Statement covering confidential information and securities trading by Art's-Way personnel and directors. As you will see from the Policy Statement, the consequences of an insider trading violation can be serious for both the individual involved and Art's-Way .

Please take a few minutes right now to read the enclosed Policy Statement and then sign and return the attached copy of this letter to me.

Sincerely,


President and Chief Executive Officer

Certification

The undersigned hereby certifies that he/she has read and understands, and agrees to comply with, the Company's Policy Statement on Confidential Information and Securities Trading By Art's-Way Personnel and Directors, a copy of which was received by the undersigned.

Date: _____

Signature

Print Name: _____

Art's-Way Manufacturing Co., Inc. and Subsidiaries

As of November 30, 2024

Company

Art's-Way Scientific, Inc.
Ohio Metal Working Products/Art's Way, Inc.

Jurisdiction of Formation

Iowa
Ohio

All Art's-Way Manufacturing Co., Inc. subsidiaries are wholly owned.

Consent of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Art's-Way Manufacturing Co., Inc.
Armstrong, Iowa

We hereby consent to the incorporation by reference in the Registration Statements on Form S8 (No. 333-169972, No. 333-173914, and No. 333-238469) and Form S-3 (No. 333-264504) of Art's-Way Manufacturing Co., Inc. of our report dated February 18, 2025, relating to the consolidated financial statements for the years ended November 30, 2024 and 2023, which appears in Art's-Way Manufacturing Co., Inc.'s Annual Report on Form 10-K for the fiscal year ended November 30, 2024.

/s/ Eide Bailly LLP
Denver, Colorado
February 18, 2025

**CERTIFICATION PURSUANT TO 17 CFR 240.13(a)-14(a)
(SECTION 302 CERTIFICATION)**

I, Marc H. McConnell, certify that:

1. I have reviewed this annual report on Form 10-K of Art's-Way Manufacturing Co., Inc.;
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 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 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.

ART'S-WAY MANUFACTURING CO., INC.

Date: February 18, 2025

/s/ Marc H. McConnell
Marc H. McConnell
Chairman, President and Chief Executive Officer

**CERTIFICATION PURSUANT TO 17 CFR 240.13(a)-14(a)
(SECTION 302 CERTIFICATION)**

I, Michael W. Woods, certify that:

1. I have reviewed this annual report on Form 10-K of Art's-Way Manufacturing Co., Inc.;
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 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 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.

ART'S-WAY MANUFACTURING CO., INC.

Date: February 18, 2025

/s/ Michael W. Woods
Michael W. Woods
Chief 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 annual report on Form 10-K of Art's-Way Manufacturing Co., Inc. (the "Company") for the fiscal year ended November 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marc H. McConnell, as the Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 18, 2025

/s/ Marc H. McConnell

Marc H. McConnell
Chairman, President and Chief Executive 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 annual report on Form 10-K of Art's-Way Manufacturing Co., Inc. (the "Company") for the fiscal year ended November 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael W. Woods, as the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 18, 2025

/s/ Michael W. Woods
Michael W. Woods
Chief Financial Officer

Art's-Way Manufacturing Co., Inc.
CLAWBACK POLICY

1. **Purpose.** The Board of Directors (the "Board") of Art's-Way Manufacturing Co., Inc. (the "Company") has adopted this clawback policy (the "Clawback Policy"), which describes the circumstances in which Covered Individuals will be required to repay or return Erroneously Awarded Compensation to the Company in the event of an Accounting Restatement in accordance with Clawback Rules issued by the United States Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Nasdaq Stock Market LLC (the "Exchange"). Capitalized terms used and not otherwise defined herein shall have the meanings given in Section 2 or 4 below.

2. **Covered Persons.** A "Covered Individual" under this Clawback Policy shall mean (i) each individual who served as an Executive Officer at any time during the performance period applicable to the Incentive Compensation, whether or not still employed by the Company (and regardless of whether such Incentive Compensation was received during or after such person's service as an Executive Officer) and (ii) such other current or former employees of the Company who may from time to time be deemed subject to this Clawback Policy by the Administrator. Each Covered Individual shall be required to sign and return to the Company a Clawback Policy Acknowledgement and Acceptance Form (substantially in the form attached hereto as Exhibit A) pursuant to which, among other things, such Covered Individual will acknowledge that he or she is bound by the terms of this Clawback Policy; provided, however, that this Clawback Policy shall apply to, and be enforceable against, any Covered Individual and his or her successors (as specified in Section 9 of this Clawback Policy) regardless of whether or not such Covered Individual properly signs and returns to the Company such Clawback Policy Acknowledgement and Acceptance Form and regardless of whether or not such Covered Individual is aware of his or her status as such.

3. **Administration.** Except as specifically set forth herein, this Clawback Policy shall be administered by the Administrator. Any determinations made by the Administrator shall be final and binding on all affected Covered Individuals and need not be uniform with respect to each Covered Individual. Subject to any limitation under applicable law, the Administrator may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Clawback Policy (other than with respect to any recovery under this Clawback Policy involving such officer or employee).

4. **Definitions.** For purposes of this Clawback Policy, the following capitalized terms shall have the meanings set forth below:

- a. **"Accounting Restatement"** shall mean an accounting restatement of the Company's financial statements: (i) due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements; or (ii) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

- b. ***Administrator*** shall mean the Committee.
- c. ***Clawback Period*** shall mean, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date and any transition period (that results from a change in the Company's fiscal year) of less than nine months within or immediately following those three completed fiscal years.
- d. ***Clawback Rules*** shall mean Section 10D of the Exchange Act and any applicable rules or standards adopted by the SEC thereunder (including Rule 10D-1 under the Exchange Act) or the Exchange pursuant to Rule 10D-1 under the Exchange Act (including Nasdaq Stock Market Listing Rule 5608), in each case as may be in effect from time to time.
- e. ***Committee*** shall mean the Compensation Committee of the Board or any committee designated by the Board to administer this Clawback Policy.
- f. ***Erroneously Awarded Compensation*** means, with respect to any Covered Individual, the excess of (i) the Covered Individual's actual Incentive Compensation over (ii) the Incentive Compensation the Covered Individual otherwise would have earned, become vested in or been granted during the Clawback Period if the Company's financial statements had reflected the restated amounts in an Accounting Restatement. Erroneously Awarded Compensation will be computed without regard to taxes paid. Erroneously Awarded Compensation shall not include any Incentive Compensation received by a Covered Individual prior to a Covered Individual's service as an Executive Officer. Calculation of Erroneously Awarded Compensation with respect to Incentive Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement, shall be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive Compensation was received, and the Company shall maintain documentation of the determination of such reasonable estimate and provide such documentation to the Exchange in accordance with the Clawback Rules. Incentive Compensation is deemed received, earned or vested when the Financial Reporting Measure is attained, not when the actual payment, grant or vesting occurs. Incentive Compensation received by a Covered Individual prior to the Effective Date shall be subject to the terms of this Clawback Policy as if in effect prior to the Effective Date.
- g. ***Effective Date*** shall mean February 10, 2025.
- h. ***Executive Officer*** means the Company's president, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company. Executive officers of the Company's parent(s) or subsidiaries, if any, are deemed executive officers of the Company if they perform such policy making functions for the Company.

- i. "**Financial Reporting Measures**" shall mean measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return shall for purposes of this Clawback Policy be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented within the Company's financial statements or included in a filing with the SEC.
- j. "**Incentive Compensation**" means any compensation that is granted, earned or vested based wholly or in part upon the attainment, during the Clawback Period, of any Financial Reporting Measure.
- k. "**Impracticable**" shall mean, in accordance with the good faith determination of the Administrator, or if the Administrator does not consist of independent directors, a majority of the independent directors serving on the Board, that either: (i) the direct expenses paid to a third party to assist in enforcing the Clawback Policy against a Covered Individual would exceed the amount to be recovered, after the Company has made a reasonable attempt to recover the applicable Erroneously Awarded Compensation, documented such reasonable attempt(s) and provided such documentation to the Exchange; or (ii) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.
- l. "**Restatement Date**" shall mean the earlier to occur of: (i) the date the Board, a committee of the Board or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement; or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

5. Recoupment; Method of Recoupment.

- a. In the event the Company is required to prepare an Accounting Restatement, the Administrator shall reasonably promptly, in accordance with the applicable Clawback Rules, determine the amount of any Erroneously Awarded Compensation for each Covered Individual in connection with such Accounting Restatement, and shall reasonably promptly thereafter provide each Covered Individual with written notice containing the amount of Erroneously Awarded Compensation and a demand for repayment or return, as applicable.

- b. The method of recovery of Erroneously Awarded Compensation shall be determined by the Administrator in its sole discretion and shall include, without limitation: (i) recoupment of cash or shares of Company stock; (ii) forfeiture of unvested awards; (iii) cancellation of outstanding vested awards; (iv) offset of other amounts owed to the Covered Individual; (v) reduction of future compensation; and (vi) any other remedial or recovery action permitted by law. If the Erroneously Awarded Compensation includes shares of Company stock (or derivatives thereof), the Administrator may seek to require that the Covered Individual repay to the Company any dividends or dividend equivalents paid with respect to those securities, and any profits realized, directly or indirectly, from the sale or other disposition of those securities. For the avoidance of doubt, except to the extent permitted pursuant to the Clawback Rules, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of a Covered Individual's obligations hereunder. Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated in this Section 5(b) if recovery would be Impracticable. In implementing the actions contemplated in this Section 5(b), the Administrator will act in accordance with the listing standards and requirements of the Exchange and with the applicable Clawback Rules.
- c. Subject to the discretion of the Administrator, an applicable Covered Individual may be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering Erroneously Awarded Compensation in accordance with this Section 5.

6 . **Indemnification Prohibition**. No member of the Company shall be permitted to indemnify any Covered Individual against the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Clawback Policy and/or pursuant to the Clawback Rules, including any payment or reimbursement for the cost of third-party insurance purchased by any Covered Individual to cover any such loss under this Clawback Policy and/or pursuant to the Clawback Rules. Further, the Company shall not enter into any agreement that exempts any Incentive Compensation from the application of this Clawback Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation, and this Clawback Policy shall supersede any such agreement, whether entered into before, on or after the Effective Date). Any such purported indemnification, whether oral or in writing, shall be null and void.

7 . **Interpretation**. The Administrator is authorized to interpret and construe this Clawback Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Clawback Policy. It is intended that this Clawback Policy be interpreted in a manner that is consistent with the requirements of the Clawback Rules. The terms of this Clawback Policy shall also be construed and enforced in such a manner as to comply with applicable law, including the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and any other law or regulation that the Administrator determines is applicable. In the event any provision of this Clawback Policy is determined to be unenforceable or invalid under applicable law, such provision shall be applied to the maximum extent permitted by applicable law and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required by applicable law.

8. Amendment; Termination. The Administrator may modify or amend this Clawback Policy, in whole or in part, from time to time, in its discretion and shall amend any or all of the provisions of this Clawback Policy as it deems appropriate and necessary, including as and when it determines that it is legally required by the Clawback Rules, any federal securities laws, state blue-sky laws, SEC rule or Exchange rule. The Administrator may terminate this Clawback Policy at any time, and this Clawback Policy shall remain in effect only so long as the Clawback Rules apply to the Company. Unless otherwise determined by the Administrator or as otherwise amended, this Clawback Policy shall automatically be deemed amended in a manner necessary to comply with any change in the Clawback Rules.

9. Successors. This Clawback Policy shall be binding and enforceable against all Covered Individuals and their beneficiaries, estates, heirs, executors, administrators or other legal representatives to the extent required by the Clawback Rules or as otherwise determined by the Administrator.

10. Tax Considerations. To the extent that, pursuant to this Clawback Policy, the Company is entitled to recover any Erroneously Awarded Compensation that is received by a Covered Individual, the gross amount received (i.e., the amount the Covered Individual received, or was entitled to receive, before any deductions for tax withholding or other payments) shall be returned by the Covered Individual.

Exhibit A

CLAWBACK POLICY ACKNOWLEDGEMENT AND ACCEPTANCE FORM

The Board of Directors of Art's-Way Manufacturing Co., Inc.. has adopted a Clawback Policy which is applicable to the Company's Covered Individuals. All capitalized terms used herein have the meanings given to them in the Clawback Policy.

I, the undersigned, acknowledge that I have received a copy of the Clawback Policy, as it may be amended, restated, supplemented or modified from time to time, and that I have read it, understand it, and acknowledge that I am fully bound by, and subject to, all of the terms and conditions thereof.

In the event of any inconsistency between the terms of the Clawback Policy and the terms of any employment or other agreement to which I am a party, or the terms of any compensation plan, program, or arrangement under which Incentive Compensation has been granted, awarded, earned, or paid to me, whether or not deferred, the terms of the Clawback Policy shall govern.

If the Board of Directors or a committee of the Board of Directors determines that any Incentive Compensation I have received must be forfeited, repaid, or otherwise recovered by the Company, I shall promptly take whatever action is necessary to effectuate such forfeiture, repayment, or recovery.

I acknowledge that I am not entitled to indemnification in connection with the Company's enforcement of the Clawback Policy.

I understand that any delay or failure by the Company to enforce any requirement contained in the Clawback Policy will not constitute a waiver of the Company's right to do so in the future. Any capitalized terms used in this Clawback Policy Acknowledgment and Acceptance Form that are not otherwise defined shall have the meanings ascribed to them in the Clawback Policy.

Name_____

Date: _____