

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

FORM 10-Q

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

For the quarterly period ended **December 31, 2023**

or

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

For the transition period from _____ to _____

Commission file number: **001-40511**

Moving iMage Technologies, Inc.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

85-1836381

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

**17760 Newhope Street,
Fountain Valley, California**
(Address of principal executive offices)

92708
(Zip Code)

(714) 751-7998

(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, \$0.00001 par value	MITQ	NYSE American

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of February 13, 2024, there were **10,479,217** shares of the registrant's common stock, par value \$0.00001 per share, outstanding.

MOVING IMAGE TECHNOLOGIES, INC.

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I - FINANCIAL INFORMATION</u>	
<u>ITEM 1. Financial Statements</u>	F-3
<u>Condensed Consolidated Balance Sheets as of December 31, 2023 (unaudited) and June 30, 2023</u>	F-3
<u>Condensed Consolidated Statements of Operations (unaudited) for the three months and six months ended December 31, 2023 and 2022</u>	F-4
<u>Condensed Consolidated Statements of Changes in Stockholders' Equity (unaudited) for the three and six months ended December 31, 2023 and 2022</u>	F-5
<u>Condensed Consolidated Statements of Cash Flows (unaudited) for the six months ended December 31, 2023 and 2022</u>	F-6
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	F-7
<u>ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
<u>ITEM 3. Quantitative and Qualitative Disclosures About Market Risk</u>	27
<u>ITEM 4. Controls and Procedures</u>	28
<u>PART II - OTHER INFORMATION</u>	29
<u>ITEM 1. Legal Proceedings</u>	29
<u>ITEM 1A. Risk Factors</u>	29
<u>ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	29
<u>ITEM 3. Defaults Upon Senior Securities</u>	29
<u>ITEM 4. Mine Safety Disclosures</u>	29
<u>ITEM 5. Other Information</u>	29
<u>ITEM 6. Exhibits</u>	30
<u>SIGNATURES</u>	31

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MOVING IMAGE TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands except share and per share amounts)
(unaudited)

	December 31, 2023	June 30, 2023
Assets		
Current Assets:		
Cash	\$ 5,139	\$ 6,616
Accounts receivable, net	1,138	905
Inventories, net	4,459	4,419
Prepaid expenses and other	954	451
Total Current Assets	11,690	12,391
Long-Term Assets:		
Right-of-use asset	282	415
Property and equipment, net	35	28
Intangibles, net	451	480
Other assets	16	16
Total Long-Term Assets	784	939
Total Assets	\$ 12,474	\$ 13,330
Liabilities And Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 1,192	\$ 1,507
Accrued expenses	682	618
Customer deposits	3,131	3,169
Lease liability–current	296	280
Unearned warranty revenue	40	26
Total Current Liabilities	5,341	5,600
Long-Term Liabilities:		
Lease liability–non-current	—	151
Total Long-Term Liabilities	—	151
Total Liabilities	5,341	5,751
Stockholders' Equity		
Common stock, \$0.00001 par value, 100,000,000 shares authorized, 10,576,643 and 10,685,778 shares issued and outstanding at December 31, 2023 and June 30, 2023, respectively	—	—
Additional paid-in capital	12,371	12,462
Accumulated deficit	(5,238)	(4,883)
Total Stockholders' Equity	7,133	7,579
Total Liabilities and Stockholders' Equity	\$ 12,474	\$ 13,330

The accompanying notes are an integral part of these condensed consolidated financial statements.

MOVING IMAGE TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except share and per share amounts)
(unaudited)

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022	Six Months Ended December 31, 2023	Six Months Ended December 31, 2022
Net sales	\$ 3,265	\$ 4,843	\$ 9,900	\$ 10,695
Cost of goods sold	2,506	3,531	7,322	7,824
Gross profit	<u>759</u>	<u>1,312</u>	<u>2,578</u>	<u>2,871</u>
Operating expenses:				
Research and development	72	61	139	127
Selling and marketing	628	594	1,170	1,204
General and administrative	889	795	1,716	1,630
Total operating expenses	<u>1,589</u>	<u>1,450</u>	<u>3,025</u>	<u>2,961</u>
Operating loss	<u>(830)</u>	<u>(138)</u>	<u>(447)</u>	<u>(90)</u>
Other income (expense)				
Unrealized gain on marketable securities	—	269	—	129
Realized loss on marketable securities	—	(110)	—	(133)
Interest and other income, net	36	25	92	45
Total other income	<u>36</u>	<u>184</u>	<u>92</u>	<u>41</u>
Net income/(loss)	<u>\$ (794)</u>	<u>\$ 46</u>	<u>\$ (355)</u>	<u>\$ (49)</u>
Weighted average shares outstanding: basic and diluted (Note 3)	<u>10,655,686</u>	<u>10,958,398</u>	<u>10,670,732</u>	<u>10,943,561</u>
Net profit/(loss) per common share basic and diluted	<u>\$ (0.07)</u>	<u>\$ 0.00</u>	<u>\$ (0.03)</u>	<u>\$ 0.00</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

MOVING IMAGE TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands except for share amounts)
(unaudited)

Three and Six months ended December 31, 2023

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance as of June 30, 2023	10,685,778	\$ —	\$ 12,462	\$ (4,883)	\$ 7,579
Grant of options to officer	—	—	5	—	5
Net income	—	—	—	439	439
Balance as of September 2023	10,685,778	\$ —	\$ 12,467	\$ (4,444)	\$ 8,023
Grant of options to officer	—	—	5	—	5
Share buyback and cancellation	(109,135)	—	(101)	—	(101)
Net loss	—	—	—	(794)	(794)
Balance as of December 2023	<u>10,576,643</u>	<u>\$ —</u>	<u>\$ 12,371</u>	<u>\$ (5,238)</u>	<u>\$ 7,133</u>

Three and Six months ended December 31, 2022

Balance as of June 30, 2022	10,828,398	\$ —	\$ 12,500	\$ (3,085)	\$ 9,415
Issuance of stock to employees	130,000	—	153	—	153
Net loss	—	—	—	(95)	(95)
Balance as of September 2022	10,958,398	\$ —	\$ 12,653	\$ (3,180)	\$ 9,473
Net income	—	—	—	46	46
Balance as of December 2022	<u>10,958,398</u>	<u>\$ —</u>	<u>\$ 12,653</u>	<u>\$ (3,134)</u>	<u>\$ 9,519</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

MOVING IMAGE TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended December 31,	
	2023	2022
<i>Cash flows from operating activities:</i>		
Net income/(loss)	\$ (355)	\$ (49)
Adjustments to reconcile net profit/(loss) to net cash provided by (used in) operating activities:		
Provision for doubtful accounts	4	(17)
Depreciation expense	5	3
Amortization expense	29	48
ROU amortization	133	(4)
Stock option compensation expense	10	—
Realized loss on investments	—	4
Changes in operating assets and liabilities		
Accounts receivable	(237)	360
Inventories, net	(40)	(694)
Prepaid expenses and other	(503)	597
Accounts payable	(315)	44
Accrued expenses	64	(125)
Unearned warranty revenue	14	41
Customer deposits	(38)	(913)
Lease liabilities	(135)	—
Net cash used in operating activities	<u>(1,364)</u>	<u>(705)</u>
<i>Cash flows from investing activities</i>		
Sales of marketable securities	—	4,088
Purchases of marketable securities	—	(4,144)
Purchases of property and equipment	(12)	(4)
Net cash used in investing activities	<u>(12)</u>	<u>(60)</u>
<i>Cash flows from financing activities</i>		
Stock Buyback	(101)	—
Net cash (used in) financing activities	<u>(101)</u>	<u>—</u>
Net decrease in cash	(1,477)	(765)
Cash, beginning of the year	6,616	2,340
Cash, end of the year	<u>\$ 5,139</u>	<u>\$ 1,575</u>
Non-cash investing and financing activities:		
Issuance of stock to employees	\$ —	\$ 153
Right-of-use assets from ASC842 adoption	\$ —	\$ 681

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTE 1 — BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Moving iMage Technologies, Inc., a Delaware corporation, together with its wholly-owned subsidiaries unless the context indicates otherwise, the (“Company”) was incorporated in June 2020. The Company, through its wholly-owned subsidiary, Moving iMage Technologies, LLC (“MiT LLC”) and MiT LLC’s wholly-owned subsidiary, Moving iMage Acquisition Co., (DBA “Caddy Products”), designs, integrates, installs and distributes proprietary and custom designed equipment as well as off the shelf cinema products needed for contemporary cinema requirements. The Company also offers single source solutions for cinema design, procurement, installation and service to the creative and production communities for screening, digital intermediate and other critical viewing rooms. Additionally, the Company offers a wide range of technical, design and consulting services such as custom engineering, systems design, integration and installation, and digital technology, as well as software solutions for operations enhancement and theatre management. The Company also provides turnkey furniture, fixture and equipment services to commercial cinema exhibitors for new construction and remodels including design, consulting, installation and project management as well as procurement of seats, lighting, acoustical treatments, screens, projection and sound.

Moving iMage Acquisition Co. (DBA “Caddy Products”) designs, develops and manufactures innovative products for the entertainment, cinema, grocery, worship, restaurant, sports and restroom industries.

Share Exchange:

In June 2020, MiT LLC members created Moving iMage Technologies, Inc. (“MiT Inc.”) to facilitate the Company’s initial public offering (“IPO”). Upon formation of MiT, Inc., 2,000,000 shares of MiT, Inc. common stock were issued to members of MiT LLC. On July 7, 2021, MiT LLC and MiT Inc. entered into an exchange agreement (“Exchange Agreement”) whereby the members of MiT LLC exchanged their membership interest for 2,350,000 shares of common stock in MiT Inc. As a result of the Exchange Agreement, the members of MiT LLC owned approximately 79% or 4,452,334 of the outstanding common stock of MiT Inc. As a result, MiT LLC (the entity where the Company conducts its business) became a wholly-owned subsidiary of MiT Inc. (the SEC registrant).

The transaction was accounted for as a merger of entities under common ownership in accordance with generally accepted accounting principles in the United States of America (“GAAP”). This determination was primarily based on the facts that, immediately before and after the transaction: (i) MiT LLC owners owned a substantial majority of the voting rights in the combined company, (ii) MiT LLC designated a majority of the members of the initial board of directors of the combined company, and (iii) MiT LLC’s senior management holds all key positions in the senior management of the combined company.

Initial Public Offering: On July 12, 2021, the Company closed its initial public offering and issued 4,830,000 shares of its common stock at a price of \$3.00 per share for net proceeds of approximately \$12,360,000 after deducting underwriting discounts, commissions, and other expenses of approximately \$2,130,000.

On July 12, 2021, in connection with the IPO, warrants to purchase 139,611 shares of the Company’s common stock were exercised on a cashless basis.

NOTE 1 — BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of the COVID-19 Pandemic: The COVID-19 pandemic has had an unprecedented impact on the world and the movie exhibition industry. The social and economic effects have been widespread. At various points during the pandemic, authorities around the world imposed measures intended to control the spread of COVID-19, including stay-at-home orders and restrictions on large public gatherings, which caused movie theaters in countries around the world to temporarily close. The repercussions of the COVID-19 global pandemic resulted in a significant impact to our customers, specifically those in the entertainment and cinema industries. As a result, the Company implemented various cash preservation strategies, including, but not limited to, temporary personnel and salary reductions, halting non-essential operating and capital expenditures, and negotiating modified timing and/or abatement of contractual payments with landlords and other major suppliers.

Throughout 2020 and through 2022 the theatres reopened as soon as local restrictions and the status of the COVID-19 pandemic would allow. As of December 31, 2023, a large majority of domestic and international theatres were open. The industry's recovery to historical levels of new film content, both in terms of the number of new films and box office performance, is still underway, as the industry also continues to adjust to evolving theatrical release windows, competition from streaming and other delivery platforms, supply chain delays, inflationary pressures, labor shortages, wage rate pressures and other economic factors.

Based on the Company's current estimates of recovery, it believes it will generate, sufficient cash to sustain operations for a period of 12 months from the issuance of these financial statements. Nonetheless, the COVID-19 pandemic has had, and continues to have, adverse effects on the Company's business, results of operations, cash flows and financial condition.

Principles of Consolidation: The condensed consolidated financial statements include the accounts of MiT Inc., its wholly-owned subsidiary, MiT LLC, and MiT LLC's wholly-owned subsidiary, Moving iMage Acquisition Co., (DBA "Caddy Products"). All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation: The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Unaudited Interim Condensed Consolidated Financial Statements: The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information. Accordingly, they do not include all of the information and notes required by U.S. GAAP. However, in the opinion of the management of the Company, all adjustments of a normal recurring nature necessary for a fair presentation of the financial position and operating results have been included in these statements. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the fiscal year ended June 30, 2023, and with the disclosures and risk factors presented therein. The June 30, 2023 condensed consolidated balance sheet has been derived from the audited consolidated financial statements. Operating results for the three and six months ended December 31, 2023 are not necessarily indicative of the results that may be expected for any subsequent quarters or for the year ending June 30, 2024.

NOTE 1 — BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Marketable Securities: In March 2023, the Company sold all its marketable securities with the proceeds deposited to the Company's cash account. As a result, the prior fair value and market data disclosure are no longer needed for the period ended December 31, 2023 and June 30, 2023.

The carrying amounts of accounts receivable and accounts payable approximate fair value due to their short maturities.

Assets and Liabilities Not Measured - In addition to assets and liabilities that are measured at fair value on a recurring basis, we also measure certain assets and liabilities at fair value on a nonrecurring basis. Our non-financial assets, including goodwill, intangible assets and property and equipment, are measured at fair value when there is an indication of impairment and the carrying amount exceeds the asset's projected undiscounted cash flows. These assets are recorded at fair value only when an impairment charge is recognized. For the year ended June 30, 2023, the Company impaired \$(0.287) million in Goodwill, \$(0.363) million in Intangible assets and \$(0.304) million in Note Receivables. There were no impairments recognized the three and six periods ended December 31, 2023.

Use of Estimates: The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities (including sales returns, bad debts, inventory reserves, warranty reserves, purchase price allocation and asset impairments), disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Concentration of Cash: The Company maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk on its cash balances.

Accounts Receivable: Accounts receivable are carried at original invoice amount less allowance for credit losses. Management determines the allowance for credit losses by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Accounts receivable are considered to be past due if any portion of the receivable balance is outstanding for more than 90 days past the customer's granted terms. The Company does not charge interest on past due balances or require collateral on its accounts receivable. As of December 31, 2023 and June 30, 2023 the allowance for credit losses is approximately \$131,000 and \$127,000, respectively.

Inventories: Inventories are stated at the lower of cost or net realizable value, with cost being determined on the first-in, first-out cost method of accounting. The Company purchases finished goods and materials to assemble kits in quantities that it anticipates will be fully used in the near term. Changes in operating strategy, customer demand, and fluctuations in market values can limit the Company's ability to effectively utilize all products purchased and can result in finished goods with above-market carrying costs which may cause losses on sales to customers. The Company's policy is to closely monitor inventory levels, obsolescence and lower market values compared to costs and, when necessary, reduce the carrying amount of its inventory to its net realizable value. As of December 31, 2023 and June 30, 2023, the inventory reserve was \$785,000 and \$584,000, respectively, and inventory on hand was comprised primarily of finished goods ready for sale.

Revenue Recognition: The Company follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606").

Revenue is recognized when control of the promised goods is transferred at the point of shipment to a customer, and when performance conditions are satisfied, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods as per the agreement with the customer. The Company generates all its revenue from agreements with customers. In case agreements with multiple performance obligations, the Company identifies each performance obligation and evaluates whether the performance obligations are distinct within the context of the agreement at the agreement's inception. Performance obligations that are not distinct at agreement inception are combined. The Company allocates the transaction price to each distinct performance obligation

NOTE 1 — BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

proportionately based on the estimated standalone selling price for each performance obligation and then evaluates how the services are transferred to the customer to determine the timing of revenue recognition.

The Company considers the U.S. GAAP criteria for determining whether to report revenue gross as a principal versus net as an agent. Factors considered include whether the Company is the primary obligor, has risks and rewards of ownership, and bears the risk that a customer may not pay for the products provided or services performed. If there are circumstances where the above criteria are not met, revenues recognized are presented net of cost of goods sold.

Contract assets consist of conditional or unconditional rights to consideration. Accounts receivable represent amounts billed to customers where the Company has an enforceable right to payment for performance completed to date (i.e., unconditional rights to consideration). The Company does not have contract assets that represent conditional rights to consideration.

Contract liabilities consist of customer refunds and warranty liabilities, as well as deposits received in advance on sales to certain customers. Such deposits are reflected as customer deposits and recognized in revenue when control of the products is transferred or when performance conditions are satisfied per the agreement. The change in contract liabilities (customer deposits and unearned warranty revenue) during the three months ended December 31, 2023 included \$1.579 million for revenue recognized that was included in contract liability as of July 1, 2023.

<u>Contract Liabilities (\$ in Thousands)</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Customer deposits	\$ 3,131	\$ 3,169
Unearned warranty revenue	40	26
Customer refunds	349	139
Total contract liabilities	<u>\$ 3,520</u>	<u>\$ 3,334</u>

Cost of goods sold includes cost of inventory sold during the period, net of vendor discounts and allowances, and shipping and handling costs, and sales taxes. Taxes collected from customers are included in accounts payable on a net basis (excluded from revenues) until remitted to the government.

Deferred contract acquisition costs consist of sales commissions paid to the sales force, and the related employer payroll taxes, and are considered incremental and recoverable costs of obtaining a contract with a customer. The Company has determined that sales commissions paid are an immaterial component of obtaining a customer's contract and has elected to expense sales commissions when earned.

<u>Disaggregation of Revenue (in 000's):</u>	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Equipment upon delivery (point in time)	\$ 3,161	\$ 4,717	\$ 9,717	\$ 10,431
Installation (point in time)	87	108	148	234
Software and services (over time)	17	18	35	30
Total revenues	<u>\$ 3,265</u>	<u>\$ 4,843</u>	<u>\$ 9,900</u>	<u>\$ 10,695</u>

Revenue from the sale of equipment is recognized upon delivery of such equipment to customers and when performance conditions are satisfied.

Revenue from installation is recognized upon completion of the installation project and when the performance obligation is complete.

Software subscription revenue for remote monitoring services is recognized on a straight-line basis over the term of the contract, usually one year. Services revenues are generally recognized over time as the contracts are performed.

Returns and Allowances: The Company records allowances for discounts and product returns at the time of sale as a reduction of revenue as such allowances can be reliably estimated based on historical experience and known trends.

NOTE 1 — BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Shipping and Handling Costs: Shipping and handling costs are included in cost of goods sold and are recognized as a period expense during the period in which they are incurred.

Advertising Costs: Advertising costs were approximately \$6,200 and \$3,900 for the three months ended December 31, 2023 and 2022, respectively, and \$9,600 and \$10,600 for the six months ended December 31, 2023 and 2022, respectively. Advertising costs are expensed as incurred within selling and marketing expenses.

Intangible assets: Intangible assets arising from business combinations, such as customer relationships, trade names, and/or intellectual property, are initially recorded at fair value. The Company amortizes these intangible assets over the determined useful life which generally ranges from 11 to 20 years. Management reviews its intangible assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be fully recoverable. There were no intangible asset impairments recognized for the three months and six months ended December 31, 2023 or 2022.

Business Combinations: The Company includes the results of operations of the businesses that it acquires commencing on the respective dates of acquisition. The Company allocates the fair value of the purchase price of its acquisitions to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the fair value of the purchase price over the fair values of these identifiable assets and liabilities is recorded as goodwill.

Income Taxes: The Company utilizes an asset and liability approach for financial accounting and reporting for income taxes. The provision for income taxes is based upon income or loss after adjustment for those permanent items that are not considered in the determination of taxable income. Deferred income taxes represent the tax effects of differences between the financial reporting and tax basis of the Company's assets and liabilities at the enacted tax rates in effect for the years in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The following table summarizes the components of deferred tax assets and deferred tax liabilities at December 31, 2023 and December 31, 2022 (in thousands):

	Deferred Tax Assets (Liabilities)	
	December 31, 2023	June 30, 2023
Inventory reserve	\$ 220	\$ 163
Accumulated depreciation	(8)	(5)
Accumulated goodwill amortization	65	(13)
Accumulated intangible amortization	128	130
Unrealized loss on investments	—	68
Deferred rent	4	4
Warranty reserve	11	7
Stock compensation	68	68
Net operating loss carryforward	1,197	1,097
Allowance for doubtful accounts	37	36
Net	1,722	1,555
Valuation allowance	(1,722)	(1,555)
Total	\$ —	\$ —

Leases: On July 1, 2022 the Company adopted ASU 2016-02, Leases (Topic 842) which requires lessees to recognize assets and liabilities for the rights and obligations created by most leases on their balance sheet. In accordance with ASC 842, on July 1, 2023 the Company recognized Right of Use Assets in the amount of \$665,000 and a lease liability of \$681,000 for the leases associated with its executive office and warehouse space, as described in Note 9.

NOTE 1 — BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Product Warranty: The Company's digital equipment products are sold under various limited warranty arrangements ranging from one year to three years. Company policy is to establish reserves for estimated product warranty costs in the period when the related revenue is recognized. The Company has the right to return defective products for up to three years, depending on the manufacturers' individual policies. As of December 31, 2023 and June 30, 2023, the Company has established a warranty reserve of \$64,000 and \$53,000, respectively, which is included in accrued expenses in the accompanying condensed consolidated balance sheets.

The changes in the Company's aggregate warranty liabilities were as follows for the following periods (in thousands):

	Quarter Ended December 31, 2024	Year Ended June 30, 2023
Product warranty liability beginning of period	\$ 53	\$ 55
Accruals for warranties issued	93	162
Change in estimates	—	—
Settlements made	(82)	(164)
Product warranty liability end of the period	<u>\$ 64</u>	<u>\$ 53</u>

Research and Development: The Company incurs costs to develop new products, as well as improve the appeal and functionality of its existing products. Research and development costs are charged to expense when incurred.

Recently Issued Accounting Pronouncements: In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326) ("ASU 2016-13"), which significantly changes how entities will account for credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. ASU 2016-13 replaces the existing incurred loss model with an expected credit loss model that requires entities to estimate an expected lifetime credit loss on most financial assets and certain other instruments. Under ASU 2016-13 credit impairment is recognized as an allowance for credit losses, rather than as a direct

write-down of the amortized cost basis of a financial asset. The impairment allowance is a valuation account deducted from the amortized cost basis of financial assets to present the net amount expected to be collected on the financial asset.

The Company adopted the new pronouncement on July 1, 2023. The allowance for credit losses has been adjusted for management's current estimate at each reporting date. The new guidance provides no threshold for recognition of impairment allowance. Therefore, entities must also measure expected credit losses on assets that have a low risk of loss. For instance, trade receivables that are either current or not yet due may not require an allowance reserve under currently generally accepted accounting principles, but under the new standard, Management has estimated an allowance for expected credit losses on trade receivables.

Due to the Management's continuing ability to obtain 90% of contract value in up-front customer deposits, MIT's risk is only the remaining 10% of the customer's contract value. The combined effect of up-front customer deposits, prompt collection of trade receivables and application of historical aging criteria has resulted in minimal bad debts and allowances for doubtful accounts.

NOTE 2 — INVESTMENTS

In March 2023, the Company sold all its marketable securities with the proceeds deposited to the Company's cash account.

NOTE 3 — LOSS PER SHARE

Basic loss per share data for each period presented is computed using the weighted average number of shares of common stock outstanding during each such period. Diluted loss per share data is computed using the weighted average number of common and potentially dilutive securities outstanding during each period. Potentially dilutive securities consist of shares that would be issued upon the exercise of stock options and warrants, computed using the treasury stock method. A reconciliation of basic and diluted loss per share is as follows:

Dollars in Thousands	<u>For the Three Months Ended December 31, 2023</u>	<u>For the Six Months Ended December 31, 2023</u>	<u>For the Three Months Ended December 31, 2022</u>	<u>For the Six Months Ended December 31, 2022</u>
Numerator:				
Net profit/(loss)	\$ (794)	\$ (355)	\$ 46	\$ (49)
Denominator:				
Weighted average common shares outstanding, basic and diluted	10,655,686	10,670,732	10,958,398	10,943,561
Profit/(loss) per share				
Basic and diluted	\$ (0.07)	\$ (0.03)	\$ 0.00	\$ 0.00

The following securities were excluded from the calculation of diluted loss per share in each period because their inclusion would have been anti-dilutive:

	<u>For the Three Months Ended December 31, 2023</u>	<u>For the Six Months Ended December 31, 2023</u>	<u>For the Three Months Ended December 31, 2022</u>	<u>For the Six Months Ended December 31, 2022</u>
Options	—	—	150,000	150,000
Warrants	—	—	—	—
Total potentially dilutive shares	—	—	150,000	150,000

For the three and six months ended December 31, 2023 the Company had a net loss. However, all potentially dilutive securities were also deemed to be anti-dilutive because their exercise price exceeded the weighted average trading price of the Company's stock for the period.

NOTE 4 — PROPERTY AND EQUIPMENT

Property and equipment consist of the following (in thousands):

	December 31, 2023	June 30, 2023
Production equipment	\$ 308	\$ 308
Leasehold improvements	213	213
Furniture and fixtures	45	45
Computer equipment	72	60
Other equipment	120	120
Total	758	746
Accumulated depreciation	(723)	(718)
Net property and equipment	\$ 35	\$ 28

Depreciation expense related to property and equipment was \$3,000 and \$1,000 for the three months ended December 31, 2023 and 2022, respectively of which \$0 and \$0 is included in cost of goods and \$3,000 and \$1,000 in general and administrative expense, respectively. Depreciation expense related to property and equipment was \$5,000 and \$3,000 for the six months ended December 31, 2023 and 2022, respectively of which \$5,000 and \$3,000 in general and administrative expense, respectively.

Depreciation of property and equipment is calculated using the straight-line method over their estimated useful lives as follows:

	Useful Lives
Leasehold improvements	5 years or remaining lease term
Furniture and fixtures	5 years
Production equipment	3 – 7 years
Computer equipment	3 years
Other equipment	3 – 7 years

NOTE 5 — INTANGIBLE ASSETS

The following table summarizes the Company's intangible assets as of December 31, 2023 (in thousands):

	Amortization Period	Gross Asset Cost	Accumulated Amortization	Net Book Value
Customer relations	11 years	\$ 970	\$ 634	\$ 335
Patents	20 years	70	15	55
Trademark	20 years	78	17	61
		<u>\$ 1,118</u>	<u>\$ 666</u>	<u>\$ 451</u>

NOTE 5 — INTANGIBLE ASSETS (continued)

The following table summarizes the Company’s intangible assets as of June 30, 2023 (in thousands):

	Amortization Period	Gross Asset Cost	Accumulated Amortization	Net Book Value
Customer relations	11 years	\$ 970	\$ 609	\$ 361
Patents	20 years	70	14	56
Trademark	20 years	78	15	63
		<u>\$ 1,118</u>	<u>\$ 638</u>	<u>\$ 480</u>

Amortization expense was \$14,000 and \$24,000 for the three months ended December 31, 2023 and 2022, respectively, and was \$29,000 and \$24,000 for the six months ended December 31, 2023 and 2022, respectively, and is included in general and administrative expense.

Estimated amortization expense related to intangible assets subject to amortization at December 31, 2023 in each of the five years subsequent to December 31, 2023, and thereafter is as follows (amounts in thousands):

2024	\$	29
2025		59
2026		59
2027		59
Thereafter		245
Total	<u>\$</u>	<u>451</u>

NOTE 6 — ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	December 31, 2023	June 30, 2022
Employee compensation	\$ 190	\$ 180
Accrued warranty	64	53
Customer refund	349	139
Legal fees	—	56
Freight	9	29
Sales tax	10	27
Others	60	134
Total	<u>\$ 682</u>	<u>\$ 618</u>

NOTE 7 — STOCKHOLDERS' EQUITY

In 2019, the Company adopted the 2019 Omnibus Incentive Plan (the "Plan"). The Plan, as amended, provides for the issuance of stock-based awards to employees. As of December 31, 2023, the Plan provides for the issuance of up to 1,500,000 stock-based awards. There are 1,220,000 stock-based awards available to grant under the Plan at December 31, 2023.

In July 2021, MiT Inc. entered into an Exchange Agreement with MiT LLC pursuant to which MiT Inc. agreed to exchange membership units for 2,350,000 shares of Common Stock representing 41.4% of the equity as of such date on a fully diluted basis for no consideration. The shares were exchanged as part of the Exchange Agreement with the Company as described in Note 1.

In July 2021, the Company granted options to non-employee directors to purchase an aggregate of 150,000 shares of its common stock at an exercise price of \$3.00 per share. The options vest one year from the date of grant, expire ten years from the date of grant and had an aggregate grant date fair value of \$244,200, which will be recognized ratably over the vesting period. On May 26, 2023, the Board of Directors cancelled 150,000 options consisting of 50,000 options each to John Stiska, Katherine Crothall and Scott Anderson with an exercise price of \$3.00. In its place, the Board granted 150,000 options consisting of 50,000 options each with an exercise price of \$1.10 vesting immediately to John Stiska, Katherine Crothall and Scott Anderson. In addition to the director options, the Board granted CFO William Greene 100,000 options with an exercise price of \$1.10 with 25% vesting immediately the remainder vesting at 25% per year thereafter. These options, which were the only options granted during the year ended June 30, 2023, had a grant-date fair value of \$1.10 per share. The Company recognized compensation expense for stock option awards of approximately \$113,000 during the year ended June 30, 2023. None of these potentially dilutive securities were included in the computation of diluted earnings per share as their impact would be anti-dilutive. The Company recognized \$5,000 and \$10,000 in compensation expense for stock options during the three months and six months ended December 31, 2023, respectively.

On March 6, 2023, the Board of Directors (the "Board") of Moving iMage Technologies, Inc. (the "Company") approved an amendment (the "Amendment") to the Company's Amended and Restated Bylaws that amends the quorum for a stockholders' meeting or action to be at least 33 1/3% of all shares of stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy.

At December 31, 2023, there was no unrecognized compensation cost related to nonvested stock option awards and no option grants during the period.

The estimated fair value of each option award granted was determined on the date of grant using the Black-Scholes option valuation model. No options were granted during the three and six months ended December 31, 2023. The following weighted average assumptions were used for option grants during the six months ended December 31, 2022:

	<u>Director Options</u>	<u>Officer Options</u>
Risk-free interest rate	3.92 %	3.86 %
Expected volatility	82.0 %	82.0 %
Dividend yield	— %	— %
Expected option term in years	5	7

On March 23, 2023 the Board of Directors re-authorized a stock repurchase program. Under the stock repurchase program, the Company may repurchase up to \$1 million of its outstanding common stock over the next 12 months. During the six months ended December 31, 2023, the Company repurchased 109,135 of the Company's stock at an average price of \$0.91 per share. There were no share repurchases for the six months ended December 31, 2022.

NOTE 7 — STOCKHOLDERS' EQUITY (continued)

\$ in Thousands, except shares and dollar per share amounts

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
March 23, 2023 – March 31, 2023	47,467	\$ 1.042	47,467	\$ 951,000
May 18, 2023 - June 30, 2023	225,153	1.130	225,153	696,000
Nov 1, 2023 - Dec 31, 2023	109,135	0.905	109,135	597,000
Total	381,755	\$ 1.062	381,755	\$ 597,000

On July 12, 2022, the Company granted 130,000 shares of common stock, with a fair market value of approximately \$153,000, to employees as compensation for previously provided service, which was accrued as of June 30, 2022.

A summary of the status of the Company's stock options as of December 31, 2023 and changes during the six months ended December 31, 2023 are presented below.

	Options	Wtd. Avg. Exercise Price
Balance, July 1, 2023	250,000	\$ 1.10
Granted during the period	—	—
Exercised during the period	—	—
Cancelled during the period	—	—
Balance, December 31, 2023	250,000	\$ 1.10

A summary of the status of the Company's stock options as of December 31, 2022 and changes during the six months ended December 31, 2022 are presented below.

	Options	Wtd. Avg. Exercise Price
Balance, July 1, 2022	—	\$ —
Granted during the period	150,000	3.00
Exercised during the period	—	—
Terminated/Expired during the period	—	—
Balance, December 31, 2022	150,000	\$ 3.00

The following table summarizes information about outstanding and exercisable stock options at December 31, 2023:

Range of Exercise Price	Number Outstanding	Number Exercisable	Wtd. Avg. Life	Wtd. Avg. Exercise Price
\$1.10	250,000	175,000	9.0 years	\$1.10

There was no warrant activity or warrants outstanding during the year ended June 30, 2023 or for the three and six months ended December 31, 2023 and 2022.

NOTE 8 — CUSTOMER AND VENDOR CONCENTRATIONS

Customers: Two customers accounted for 15% and 10% of the Company's sales for the three months ended December 31, 2023. Two customers accounted for 15% and 10% of the Company's sales for the six months ended December 31, 2023.

NOTE 8 — CUSTOMER AND VENDOR CONCENTRATIONS – (continued)

At December 31, 2023, the amount of outstanding receivables related to the two customers was approximately \$267,000.

Two customers accounted for approximately 17% and 10% of the Company's sales for the three months ended December 31, 2022. One customer accounted for approximately 17% of the Company's sales for the six months ended December 31, 2022.

Vendors: Approximately 11% of the Company's purchases were provided by one vendor for the three months ended December 31, 2023. Approximately 19% and 17% of the Company's purchases were provided by 2 vendors for the six months ended December 31, 2023. Approximately 17% and 13% of the Company's purchases were provided by two vendors for the three months ended December 31, 2022. Approximately 26% and 13% of the Company's purchases were provided by 2 vendors for the six months ended December 31, 2022.

NOTE 9 — LEASE COMMITMENTS AND CONTINGENCIES

Operating Leases: The Company leases executive office and warehouse space in Fountain Valley, CA, pursuant to separate lease agreements. Under ASC 842, at contract inception the Company determined whether the contract is or contains a lease and whether the lease should be classified as an operating or a financing lease. Operating leases are included in ROU (right-of-use) assets and operating lease liabilities in our condensed consolidated balance sheet.

The Company's executive office and warehouse lease agreements are classified as operating leases.

The lease agreements, as amended, expire on January 31, 2025 and do not include any renewal options. The agreements provide for initial monthly base amounts plus annual escalations through the term of the leases.

In addition to the monthly base amounts in the lease agreements, the Company is required to pay a portion of real estate taxes and common operating expenses during the lease terms.

The Company's operating lease expense was \$73,000 and \$73,000 for the three months ended December 31, 2023 and 2022, respectively. The Company's operating lease expense was \$147,000 and \$141,000 for the six months ended December 31, 2023 and 2022, respectively.

NOTE 9 — LEASE COMMITMENTS AND CONTINGENCIES (continued)

Future minimum lease payments at December 31, 2023 under these arrangements are as follows:

	(in thousands)
Operating leases	Total Payments
2024	\$ 152
2025	154
Total undiscounted operating lease payments	\$ 306
Less imputed interest (at 8%)	(10)
Present value of operating lease payments	\$ 296

The following table sets forth the ROU assets and operating lease liabilities as of December 31, 2023:

Assets	(in thousands)
ROU assets-net	\$ 282
Liabilities	
Current operating lease liabilities	\$ 296
Long-term operating lease liabilities	—
Total ROU liabilities	\$ 296

The Company's weighted average remaining lease term for its operating leases is 1.0 years.

Legal Matters: From time to time, the Company is involved in routine litigation that arises in the ordinary course of business. There are no pending significant legal proceedings to which the Company is a party for which management believes the ultimate outcome would have a material adverse effect on the Company's financial position.

NOTE 10 — SUBSEQUENT EVENTS

Management has evaluated events from December 31, 2023 through February 14, 2024, the date these financial statements were available to be issued and determined that there have been no other events that occurred that would require adjustment to our disclosures in the condensed consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Certain matters in this Quarterly Report on Form 10-Q (this "Report"), including (without limitation) statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations", contain forward-looking statements. Although we believe that, in making any such statements, our expectations are based on reasonable assumptions, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected.

Forward-looking statements include information concerning our possible or assumed future results of operations and expenses, business strategies and plans, competitive position, business environment, and potential growth opportunities. Forward-looking statements include all statements that are not historical facts. In some cases, forward-looking statements can be identified by terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "seeks," "should," "will," "would," or similar expressions and the negatives of those terms.

Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these expectations may not prove to be correct or we may not achieve the financial results, savings or other benefits anticipated in the forward-looking statements. These forward-looking statements are necessarily estimates reflecting the best judgment of our senior management and involve a number of risks and uncertainties, some of which may be beyond our control. These risks and uncertainties, including those disclosed under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2022, filed with the Securities and Exchange Commission (the "SEC") on September 28, 2022, and in our other filings with the SEC, could cause actual results to differ materially from those suggested by the forward-looking statements and include, without limitation:

- The condition of the economy in general and of the cinema and/or cinema equipment industry in particular,
- Our customers' adjustments in their order levels,
- Seasonality in our business, specifically our second fiscal quarter which is traditionally weaker,
- Changes in our pricing policies or the pricing policies of our competitors or suppliers,
- The addition or termination of key supplier relationships,
- The rate of introduction and acceptance by our customers of new products and services,
- Our ability to compete effectively with our current and future competitors,
- Our ability to enter into and renew key relationships with our customers and vendors,
- Changes in foreign currency exchange rates,
- A major disruption of our information technology infrastructure
- Unforeseen catastrophic events such as the COVID-19 pandemic, armed conflict, terrorism, fires, typhoons and earthquakes,

- A lack of entertainment content caused by entertainment content provider labor disputes, strikes and work shutdowns, and Any other disruptions, such as labor shortages, unplanned maintenance or other manufacturing problems.

Given these uncertainties, you should not place undue reliance on any forward-looking statements in this Report. Also, forward-looking statements represent our beliefs and assumptions only as of the date of this Report. You should read this Report and the documents that we have filed as exhibits, completely and with the understanding that our actual future results may be materially different from what we expect.

Any forward-looking statement made by us in this Report speaks only as of the date on which it is made. Except as required by law, we disclaim any obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future. All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements.

The following discussion and analysis should be read in conjunction with the accompanying condensed consolidated financial statements and related notes included elsewhere in this Report.

Overview

We are a leading provider of technology, products, and services to movie theater operators and sports and entertainment venues.

- 1) We provide a set of valuable services to movie theater operators and other critical screening and viewing rooms. These services include overall project management, which can encompass a wide range of design, integration, installation, and procurement services for new auditorium builds, refurbishments, or upgrades to existing facilities.
- 2) We design and manufacture a set of proprietary products that are sold either as part of our project management services or a la carte. Examples of these products include our ADA-compliant accessibility products and our Caddy brand, a leading provider of proprietary cup holders, trays, and other products sold into our strategic markets of motion picture exhibition, entertainment, and sports venues as well as other non-strategic markets. We also resell third-party technologies, including but not limited to items such as screens, projectors, and servers.
- 3) We resell third-party products as part of our project management services or a la carte. These include technology products such as screens, projectors, servers, and FF&E (furniture, fixtures, and equipment).
- 4) Finally, we have a set of recently introduced products that we believe have the potential to be disruptive to the movie theater, entertainment and sports venue industries. For example, our operations enhancement and theater management solution include a software-as-a-service (SaaS) platform combined with other technologies that allow theater operators to improve their quality control. We have also developed a translator product and service that will enable moviegoers to watch a movie in any language that the film is available in, all in the same auditorium through a set of augmented reality glasses. Another example is a proprietary mobile cart we've developed to enable eSports and gaming in movie-theater auditoriums.

Factors affecting our performance

Effect of COVID-19 global pandemic. The COVID-19 pandemic has had an unprecedented impact on the world and the movie exhibition industry. The social and economic effects have been widespread. At various points during the pandemic, authorities around the world imposed measures intended to control the spread of COVID-19, including stay-at-home orders and restrictions on large public gatherings, which caused movie theaters in countries around the world to temporarily close. The repercussions of the COVID-19 global pandemic resulted in a significant impact to our customers, specifically those in the entertainment and cinema industries. As a result, the Company implemented various cash preservation strategies, including, but not limited to, temporary personnel and salary reductions, halting non-essential operating and capital expenditures, and negotiating modified timing and/or abatement of contractual payments with landlords and other major suppliers.

Throughout 2020 and 2021 the theatres reopened as soon as local restrictions and the status of the COVID-19 pandemic would allow. As of December 31, 2023, a large majority of domestic and international theatres were open. The industry's recovery to historical levels of new film content, both in terms of the number of new films and box office performance, is still underway, as the industry also continues to adjust to evolving theatrical release windows, competition from streaming and other delivery platforms, supply chain delays, inflationary pressures, labor shortages, wage rate pressures and other economic factors.

Based on our current estimates of recovery, we believe we have, and will generate, sufficient cash to sustain operations. Nonetheless, the COVID-19 pandemic has had, and continues to have, adverse effects on the Company's business, results of operations, cash flows and financial condition.

Investment in Growth. We have invested, and intend to continue to invest, in expanding our operations, increasing our headcount, developing our products and services to support our growth and expanding our infrastructure. We expect our total operating expenses to increase in the foreseeable future to meet our growth objectives. We plan to continue to invest in our sales and support operations with a particular focus in the near term of adding additional sales personnel to further broaden our support and coverage of our existing customer base, in addition to developing new customer relationships. Any investments we make in our sales and marketing organization will occur in advance of experiencing any benefits from such investments, and the return on these investments may be lower than we expect. In addition, as we invest in expanding our operations internationally, our business and results of operations will become further subject to the risks and challenges of international operations, including higher operating expenses and the impact of legal and regulatory developments outside the United States.

Adding New Customers and Expanding Sales to Our Existing Customer Base. We intend to target new customers by continuing to invest in our field sales force. We also intend to continue to target large customers' organizations who have yet to use our products and services. A typical initial order involves educating prospective customers about the technical merits and capabilities and potential cost savings of our products and services as compared to our competitors' products. We believe that customer references have been, and will continue to be, an important factor in winning new business. We expect that a substantial portion of our future sales will be sales to existing customers, including expansion of their product and service offerings, as we offer new products and services through the existing sales channel. Our business and results of operations will depend on our ability to continue to add new customers and sell additional products and services to our growing base of customers.

Promoting Our Brand and Offering Additional Products. Our future performance will depend on our continued ability to achieve brand recognition for our proprietary line of products. We plan to increase our marketing expenditures to continue to create and maintain prominent brand awareness. Also, our future performance will depend on our ability to continue to offer high quality, high performance and high functionality products and services. We intend to continue to devote efforts to introduce new products and services including new versions of our existing product lines. We expect that our results of operations will be impacted by the timing, size and level of success of these brand awareness and product and service offering efforts.

Ability to Maintain Gross Margins. Our gross margins have been and are expected to continue to be affected by a variety of factors, including competition, the timing of changes in pricing, shipment volumes, new product introductions, changes in product mixes, changes in our purchase price of components and assembly and test service costs and inventory write downs, if any. Our goal is to strive to maintain gross profits for products that may have a declining average selling price by continuing to focus on increased sales volume and looking to reduce operating costs. Decreases in average selling prices are primarily driven by competition and by reduced demand for products that face potential or actual technological obsolescence. We also focus on managing our inventory to reduce our overall exposure to price erosion. In addition, we seek to introduce new products and services with higher gross margins to offset the potential effect of price erosion on other lines of products. For example, we have recently productized and began marketing a new system which combines full compliance with the Americans with Disabilities Act with a multi-language capability — we expect this system will have higher margins than a substantial number of existing products we offer. In addition, we expect our offerings of Direct View LED screens to also carry significantly higher margins.

Fluctuations in Revenues and Earnings. Both the sales cycle and the contract fulfillment cycle are dependent on a number of factors from our customers that are not in our control. Accordingly, backlog, the conversion of backlog into revenue and related earnings may fluctuate from quarter to quarter depending on our customers' particular requirements, which can sometimes change between the initial signing of a contract and its ultimate fulfillment.

Net sales

The principal factors that have affected or could affect our net sales from period to period are:

- The condition of the economy in general and of the cinema and/or cinema equipment industry in particular,
- Our customers' adjustments in their order levels,
- Seasonality in our business, specifically our second fiscal quarter which is traditionally weaker,
- Changes in our pricing policies or the pricing policies of our competitors or suppliers,
- The addition or termination of key supplier relationships,
- The rate of introduction and acceptance by our customers of new products and services,
- Our ability to compete effectively with our current and future competitors,
- Our ability to enter into and renew key relationships with our customers and vendors,
- Changes in foreign currency exchange rates,
- A major disruption of our information technology infrastructure,
- Unforeseen catastrophic events such as the COVID-19 pandemic, armed conflict, terrorism, fires, typhoons and earthquakes,
- A lack of entertainment content caused by entertainment content provider labor disputes, strikes and work shutdowns, and
- Any other disruptions, such as labor shortages, unplanned maintenance or other manufacturing problems.

Cost of goods sold

Cost of goods sold includes the cost of products or components that we purchase from third party manufacturers plus assembly and packaging labor costs for these third parties or in-house designed products. Cost of goods sold is also affected by inventory obsolescence if our inventory management is not effective or efficient. We mitigate the risk of inventory obsolescence by stocking relatively small amounts of inventory at any given time, except for periodic strategic purchases, and relying instead on a strategy of manufacturing or acquiring products based on orders placed by our customers.

General and administrative expenses

General and administrative expenses relate primarily to compensation and associated expenses for personnel in general management, information technology, human resources, procurement, planning and finance, as well as outside legal, investor relations, accounting, consulting and other operating expenses.

Selling and marketing expenses

Selling and marketing expenses relate primarily to salary and other compensation and associated expenses for internal sales and customer relations personnel, advertising, outbound shipping and freight costs, tradeshow, royalties under a brand license, and selling commissions.

Research and development expenses

Research and development expenses consist of compensation and associated costs of employees engaged in research and development projects, as well as materials and equipment used for these projects, and third-party compensation for research and development services. We do not engage in any long-term research and development contracts, and all research and development costs are expensed as incurred.

Results of Operations

Three months ended December 31, 2023 compared to the three months ended December 31, 2022

Sales

Three Months Ended December 31,	
(in 000's)	
2023	2022
\$ 3,265	\$ 4,843

Net sales decreased 32.6% to \$3.265 million for the three months ended December 31, 2023 from \$4.843 million for the three months ended December 31, 2022. The \$(1.578) million sales decline was largely due to the absence of a one-time Covid-19 relief program, the Shuttered Venue Operators Grant or SVOG that ended in 2022. In 2022, the Company's customers took advantage of the SVOG incentives to invest in their venues and purchased our goods and services. This one-time 2022 event did not repeat in 2023. In a comparable period without SVOG effects, in the three months ended December 31, 2021, sales were \$3.419 million. Compared to the three months ended December 31, 2021, the December 31, 2023 sales of \$3.265 million declined by \$(0.154) million or 4.5%.

Gross Profit

Three Months Ended December 31,	
(in 000's)	
2023	2022
\$ 759	\$ 1,312

Along with the revenue decrease of 32.6%, gross profit decreased 42.2% to \$0.759 million for the three months ended December 31, 2023 from \$1.312 million for the three months ended December 31, 2022 or an decrease of \$(0.553) million. As a percentage of total revenues, gross profit percentage decreased to 23.2% from 27.1% as a result of product mix towards lower margin equipment.

Research and Development

Three Months Ended December 31,	
(in 000's)	
2023	2022
\$ 72	\$ 61

Research and development expense increased by \$0.011 million or 18% for the three months ended December 31, 2023 compared to the three months ended December 31, 2022 due to higher compensation expense.

Selling, General and Administrative Expense

Three Months Ended December 31,	
(in 000's)	
2023	2022
\$ 1,517	\$ 1,389

The increase in selling, general and administrative expense of \$0.126 million or 9.2% was due primarily to higher compensation expense in the three months ended December 31, 2023 compared to the three months ended December 31, 2022.

Other Income (Expense)

Three Months Ended December 31,	
(in 000's)	
2023	2022
\$ 36	\$ 184

The December 31, 2023 to December 31, 2022 decline of \$(0.148) million in other income (expense) was primarily due to the lower \$0.036 million interest income in the three months ended December 31, 2023 compared to the net unrealized and realized marketable securities gains of \$0.184 million in the three months ended December 31, 2022.

Net Income (Loss)

Three Months Ended December 31,	
(in 000's)	
2023	2022
\$ (794)	\$ 46

Net loss was \$(0.794) million for the three months ended December 31, 2023 compared to net income of \$0.046 million for the three months ended December 31, 2022 or a decline \$(0.840) million. The decrease was due to lower revenues \$(1.578) million, as a result of the non-recurring 2022 SVOG incentives in 2023, the related lower gross margin impact of \$(0.553) million, higher operating expenses of \$(0.157) million and lower other income of \$(0.130) million.

Six months ended December 31, 2023 compared to the six months ended December 31, 2022

Sales

Six Months Ended December 31,	
(in 000's)	
2023	2022
\$ 9,900	\$ 10,695

Net sales decreased \$(0.795) million or 7.4% to \$9.900 million for the six months ended December 31, 2023 from \$10.695 million for the six months ended December 31, 2022. The absence of SVOG incentives in 2023 compared to 2022 and the prolonged SAG-AFTRA strike reduced new movie releases in 2023. As a result, theater owners reduced construction during the six months ended December 31, 2023.

Gross Profit

Six Months Ended December 31,	
(in 000's)	
2023	2022
\$ 2,578	\$ 2,871

Along with the revenue decrease of 7.4%, gross profit decreased 10.2% to \$2.578 million for the six months ended December 31, 2023 from \$2.871 million for the six months ended December 31, 2022 or a decrease of \$(0.293) million. As a percentage of total revenues, gross profit percentage decreased to 26.0% from 26.8%.

Research and Development

Six Months Ended December 31,	
(in 000's)	
2023	2022
\$ 139	\$ 127

Research and development expense increased by \$0.012 million or 9.4% for the six months ended December 31, 2023 compared to the six months ended December 31, 2022 due to higher compensation expense.

Selling, General and Administrative Expense

Six Months Ended December 31,	
(in 000's)	
2023	2022
\$ 2,886	\$ 2,834

The increase in selling, general and administrative expense of \$0.052 million or 1.8% was due primarily to higher compensation expense in the six months ended December 31, 2023 compared to the six months ended December 31, 2022.

Other Income (Expense)

Six Months Ended December 31,	
(in 000's)	
2023	2022
\$ 109	\$ 41

The December 31, 2023 to December 31, 2022 increase of \$0.068 million in other income (expense) was primarily due to the higher interest income of \$0.109 million in the six months ended December 31, 2023 compared to the net unrealized and realized marketable securities gains of \$0.041 million in the six months ended December 31, 2022.

Net Income (Loss)

Six Months Ended December 31,	
(in 000's)	
2023	2022
\$ (355)	\$ (49)

Net loss was (\$0.355) million for the six months ended December 31, 2023 compared to a net loss of \$(0.049) million for the six months ended December 31, 2022 or a decline \$(0.306) million. The decrease was due to lower revenues \$(0.795) million, as a result of the non-recurring 2022 SVOG incentives in 2023, the related lower gross margin impact of \$(0.293) million, higher operating expenses of \$0.081 million offset by higher other income of \$0.068 million.

Liquidity and Capital Resources

During the past several years, we have primarily met our working capital and capital resource needs from our operating cash flows and financing activities. We believe that our existing sources of liquidity, including cash and operating cash flow, will be sufficient to fund our operations and to meet our projected capital needs for a period of at least 12 months from the date the condensed consolidated financial statements are available to be issued. On July 7, 2021, the Company completed an initial public offering

resulting in net proceeds of approximately \$12.360 million. Cash balance at December 31, 2023 was approximately \$5.139 million, as compared to \$6.616 million at June 30, 2023.

Cash Flows from Operating Activities

Net cash used in operating activities was \$(1.364) million for the six months ended December 31, 2023, primarily due to \$(1.190) million in working capital decreases along with \$(0.355) million in net losses and offset by \$0.181 million in other non-cash expenses. Within working capital change, the uses of cash of \$(1.268) million included changes in receivables, inventory, prepaids, payables and customer deposits. Cash provided by working capital of \$0.078 million was due to the changes in accrued expenses and lease liabilities. The net cash used in operating activities was \$(0.705) million for the six months ended December 31, 2022, primarily due to net loss of \$(0.049) million offset by net changes in working capital items of \$(0.656) million. The net change in working capital was primarily due to increases in inventory and decreases in accrued expense and customer deposits offset by reduced receivables and prepaids.

Cash Flows from Investing Activities

Net cash used in investing activities was \$(0.012) million for the six months ended December 31, 2023, for equipment purchases. Net cash used in investing activities was \$(0.060) million for the six months ended December 31, 2022 primarily due to the net result of marketable securities purchases and sales.

Cash Flows from Financing Activities

Net cash used in financing activities was \$0.101 million used to repurchases shares for the six months ended December 31, 2023 and zero for December 31, 2022.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified under the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. As required by paragraph (b) of Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer (our principal executive) and Chief Financial Officer (our principal financial officer and principal accounting officer) carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2023. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in paragraph (e) of Rules 13a-15 and 15d-15 under the Exchange Act) were not effective at December 31, 2023 due to material weaknesses in our internal control over financial reporting as described below.

Prior to the completion of our IPO, we had been a private company with limited accounting personnel and other resources to address our internal control over financial reporting. During the course of preparing our consolidated financial statements for the years ended June 30, 2023 and 2022, we determined that we had material weaknesses in our internal control over financial reporting relating to our financial reporting processes relating to (i) the design and operation of our closing and financial reporting process, (ii) the fact that we had no formal or documented accounting policies or procedures, (iii) the fact that certain segregation of duties issues existed and (iv) the fact that there was no formal review process around journal entries recorded. To improve internal controls, and starting with the three months ended March 31, 2023 and continuing since, Management updates month end close checklists, has implemented more segregation of duties among its limited accounting staff and the CFO formally approves month end journal entries.

Changes in Internal Control over Financial Reporting

During the quarter ended December 31, 2023, there have been no changes in our internal controls over financial reporting, as such term is defined in Rules 13a-15(f) and 15(d)-15(f) promulgated under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not party to any material pending legal proceedings. From time to time, we may be subject to legal proceedings and claims arising in the ordinary course of business.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors reported in Item 1A in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On March 23, 2023 the Board of Directors re-authorized a stock repurchase program and on October 2, 2023, the Company entered into a 10b5-1 stock trading plan to facilitate the repurchase program. All repurchases will be implemented in accordance with the applicable requirements of Rule 10b-18 under the U.S. Securities Act of 1934. Under the stock repurchase program, the Company may repurchase up to \$1 million of its outstanding common stock over the next 12 months. During the six months ended December 31, 2023, the Company repurchased 109,135 of the Company's stock at an average price of \$0.91 per share. There were no share repurchases for the six months ended December 31, 2022.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

<u>Exhibit No.</u>	<u>Exhibit Description</u>
31.1*	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
31.2*	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.
32.1†	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2021, formatted in Inline XBRL: (i) Condensed Consolidated Statements of Cash Flows, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Balance Sheets, and (iv) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104*	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit 101).

* Filed herewith.

✦ Indicates a management contract or compensatory plan or arrangement

† Furnished herewith and not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MOVING IMAGE TECHNOLOGIES, INC.

Date: February 14, 2024

By: /s/ William F. Greene

Name: William F. Greene

Title: Chief Financial Officer

(Principal Financial and Accounting Officer)

CEO Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Phil Rafnson, certify that:

1. I have reviewed this report on Form 10-Q of Moving iMage Technologies, 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.

Date: February 14, 2024

By: /s/ Phil Rafnson
Phil Rafnson
Chief Executive Officer

CFO Certification

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, William F. Greene, certify that:

1. I have reviewed this report on Form 10-Q of Moving iMage Technologies, Inc.;
2. Based on your 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 your 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 have been 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(t) and 15d-15(t)) 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 their most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2024

By: /s/ William F. Greene
William F. Greene
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 Quarterly Report on Form 10-Q for the period ended September 30, 2023 of Moving iMage Technologies, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to your knowledge:

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 as of and for the periods presented in the Report.

By: /s/ Phil Rafnson
Phil Rafnson
Chief Executive Officer
February 14, 2024

By: /s/ William F. Greene
William F. Greene
Chief Financial Officer
February 14, 2024
