

**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 June 30, 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	85-1836381
State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
17760 Newhope Street Fountain Valley, California	92708
Address of Principal Executive Offices	Zip Code

Registrant's telephone number, including area code (714) 751-7998

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.00001 per share	MITQ	NYSE American

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

(Title of Class)

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 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

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.

Indicate 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

As of December 30, 2022, the last business day of the registrant's most recently completed second fiscal quarter; the aggregate market value of the registrant's common stock (based on its reported last sale price on the NYSE American on December 30, 2022 of \$1.15) held by non-affiliates of the registrant was approximately \$8.9 million.

As of September 22, 2023, there were 10,685,778 Shares of the registrant's common stock, par value \$0.00001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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Unless the context otherwise requires, we use the terms “MiT”, “Company”, “we”, “us” and “our” in this Annual Report on Form 10-K (“Report”) refer to Moving iMage Technologies, Inc., a Delaware corporation, and its wholly-owned subsidiaries, Moving iMage Technologies LLC and MiT Acquisition Co, LLC dba Caddy Products.

PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements that are based on our beliefs and assumptions and on information currently available to us. The forward-looking statements are contained principally in “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” 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. Those risks include those described in “Risk Factors” and elsewhere in this Report. 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 Annual Report on Form 10-K 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 Annual Report on Form 10-K 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.

ITEM 1. BUSINESS

Corporate Overview

The Company was incorporated in June 2020 initially named MiT Acquisition Corporation, which was changed to Moving iMage Technologies, Inc. in September 2020. In connection with our initial public offering, in July 2021, the holders of Moving iMage Technologies, LLC exchanged their interests for shares of the Company resulting in Moving iMage Technologies, LLC to become the Company’s wholly-owned subsidiary. Moving iMage Technologies, LLC, commenced operations in September 2003, and its wholly-owned subsidiary, MiT Acquisition Co., LLC, acquired all of the assets of Caddy Products in July 2019.

The Company’s Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments thereto, are filed electronically with the Securities and Exchange Commission (“SEC”). The SEC maintains an internet site that contains these reports at: www.sec.gov. You can also access these reports through links from our website at: www.movingimagetech.com. The Company includes the website link solely as a textual reference. The information contained on our website is not incorporated by reference into this Report. Copies of these reports are also available, without charge, by contacting Moving iMage Technologies, Inc. located at 17760 Newhope Street, Fountain Valley, CA 92708. Our telephone number is (714) 751-7998.

Description of Business

We are a key 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 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 includes 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.

Industry and Revenue Drivers

Our Industry

Trends

In 2021, the return to a more normalized theater environment led to a broader and more diverse slate of movie releases compared to prior year's lower pandemic-related movie releases, more tent poles (blockbusters) from a wider range of distributors, and movie studios cutting back on or abandoning the direct-to-streaming model. The domestic box office for 2021 finished at \$4.5 billion with significant momentum going into 2022. With studios re-focusing on exclusive theatrical releases, 2022 continued to see the domestic box office recover, reporting \$7.4 billion in sales.

Convenient and Affordable Form of Out-Of-Home Entertainment. Movie-going continues to be one of the most affordable forms of out-of-home entertainment, with an estimated average ticket price in the U.S. of \$10.53 in 2022. Movie theaters continue to draw more people than all theme parks and major U.S. sports combined according to the Motion Picture Association of America.

Increased Importance and Growth of International Markets. According to the Motion Picture Association of America, international markets continue to be an increasingly important component of the overall box office revenues generated by Hollywood films, accounting for approximately 71% of 2022 total worldwide box office revenues.

Introduction of New Platforms and Product Offerings that Enhance the Movie-Going Experience. The motion picture exhibition industry continues to develop new movie theater platforms and concepts to respond to varying and changing consumer preferences. In addition to changing the overall style of, and amenities offered in, some theaters, concession product offerings have continued to expand beyond more than just traditional popcorn and candy items. Many locations now offer a full dining and entertainment experience that includes appetizers, entrees, desserts, alcohol beverages and/or healthier snack options for guests.

In addition, luxury seats are offered in many locations, further enhancing the movie viewing experience. New technologies like motion seats, immersive sound and virtual reality are also offered for in-theater enjoyment at some locations.

New Theater Construction. According to the National Association of Theatre Owners, the number of U.S. movie screens remained relatively consistent at 40,150 in 2021 and 39,007 in 2022. MiT is providing turnkey Furniture, Fixtures and Equipment (“FF&E”) services to under-construction movie theaters in the United States opening 140 such new screens in the United States.

Existing Theaters — Upgrades and Refurbishing. Upgrade and refurbishing opportunities consist of three segments:

Seating, equipment and operations upgrades. Movie theaters have a long history of offering amenities to lure people out of their homes and into the cinemas. Demand for our FF&E services and product offerings are driven in part by exhibitors investing in innovation. There is demand for our FF&E and product offerings for refurbishing and upgrading locations with recliner seats, immersive audio and operations enhancements.

Projection replacements and upgrades. According to the Motion Picture Association of America, at the end of 2021 there were 40,000 screens in the United States and more than 176,000 elsewhere around the globe, and 96% of the world’s cinema screens are digitized; the conversion to digital cinema began in 2006. According to Film Journal International, (i) the first machines into the market were Series 1 projectors for Digital Light Processing (“DLP”) licensees, (ii) some 20,000 projectors of all brands were installed before Series 2 machines came on the market in mid-2010 and (iii) the assumption for a projector’s life span is 10 years. We estimate that approximately 1,500 Series 1 projectors will need replacement over the next three years as obsolescence sets in and upgrades become the new normal to stay competitive.

Laser projectors. These projectors are a significant upgrade over existing lamp-based digital projectors, offering a wider color gamut, which provides substantially more vivid colors, plus substantially brighter images. We believe that 3D movies have largely fallen out of favor in the U.S. largely because of dim images, but the higher brightness of lasers, especially RGB laser projectors, makes 3D images bright and alive, giving 3D movies a welcome boost, especially overseas where 3D remains very popular. While lasers are quite a bit more expensive, they last as much as 20 times longer than lamps, paying for themselves in lamp cost savings. By eliminating the lamp, there are significant power savings and less maintenance costs. Approximately 99% of the new projectors we sell have laser light sources.

Caddy Product. Live viewing of sports has recovered to pre-pandemic levels with stadiums and arenas selling out regularly. However, new builds, upgrades, and refurbishments of new stadiums and arenas have not recovered as quickly as the movie theater industry..

Products, Enterprise Software Solutions and Technical Services

Products

We offer a wide range of premium audio-video brands that compliment MiT in-house designed, manufactured and assembled products and sub-systems, and accessories which, when coupled with the cinema projectors, servers, and audio systems that include signal processing, amplifiers and loudspeaker systems to complete fully automated cinema experiences to cinema chains, studios, post production facilities and ultra-high-end home cinemas. MiT’s manufactured offerings include green energy LED-lighting for cinemas, performance and meeting spaces with MiT’s dimmer and power management products. Additionally, MiT unites the product offerings with best-in-class operational solutions, including enterprise software for equipment monitoring and control. We offer the cinematic exhibition industry a single source for design, procurement, integration, logistics, project management and installation single screens to multinational rollouts.

Projectors and Media Servers — MiT has distribution and Master Reseller agreements for the Americas with world class manufacturers Sharp-NEC, Barco, Dolby, GDC and Christie. We provide a complete range of DCI compliant cinema projectors and media servers to accommodate any screen size or application. The afore-mentioned brands are the largest manufacturers of high-end DCI compliant digital cinema projectors and media servers in the world. All manufacturers provide MiT with an accommodation to resell and distribute in defined projects in other areas of the world.

MiT in-house designed, manufactured and assembled sub-systems – MiT designs and manufactures automation, pedestal, projection pod (for booth less operations), and power management systems. These mission critical components tie projectors, media servers, lighting and sound systems together to ensure a robust cinematic experience.

Audio Systems — MiT has distribution and Master Reseller agreements for the Americas with world class manufacturers of signal processing, amplification and loudspeakers by Dolby, QSC, Samsung (Harman, JBL, Crown), Trinnov, LEA Professional, Krix and Meyer Sound. This wide-ranging selection allows MiT to offer premium sound systems to complete the immersive movie-going experience. We integrate these components along with our in-house energy efficient solutions to improve onsite installation time, reliability and operational performance.

“Green energy efficient” Products, Lighting Fixtures and Dimmers — We offer a series of in-house designed and assembled lighting products and dimmers designed to reduce energy consumption in cinemas, theaters, and performance venues. LED-based lighting has rapidly become an important aspect of MiT’s product line, offering advantages in efficiency and reduced maintenance, which translate into lower operating cost. We believe our green initiative Architectural LED Fixture (ALF) is the first LED-based 8” downlight luminaire and companion MiT’s M-Series lighting dimmers are specifically designed for commercial cinemas, screening rooms, post production facilities, museums, performance venues and meeting spaces. In addition to our LED and dimmer products, MiT offers a number of other “green” products designed for energy efficiency. We offer the DCE-10/20 Demand Controlled Ventilation system which automatically shuts down exhaust fans when not needed. This closed-loop controller is designed to efficiently control projector exhaust, on demand, by managing airflow to prevent the wasting of HVAC conditioned air. MiT’s IS-20 & IS-20d Power Managers power audio and video systems up and down on a controlled schedule, offering savings on wasteful energy consumption during system idle time. This suite of products support MiT’s green initiatives with an emphasis on energy savings, reliability and value.

Enterprise and Operations Software Solutions

CineQC — Cinema Presence Management & Remote Control System. CineQC is MiT’s quality assurance and remote access software solution meant to enhance cinema operations. CineQC allows a check of movie presentations before or during features, making sure customers receive a premium movie-going experience. With CineQC, cinema operations staff can change auditorium conditions, such as lights, volume, masking, air conditioning temperatures, projection and audio settings, on a real-time basis. Not only does this reduce problem-resolving time, but also ensures the guest a better movie watching experience.

CineQC provides real-time and after action reporting, not only in the auditoriums but also throughout the building, maintaining high standards of customer comfort and efficiency. CineQC benefits allow (i) an immediate response to solve minor auditorium problems (volume, lights, masking, audio and video channels as well as air condition temperature), (ii) tasks to be redistributed, lowering operational costs and increasing productivity in different areas while improving presentation and supervision, (iii) staff the ability to turn off the projector lamp if no guests are in the auditorium, generating substantial savings on energy and lamp life, and (iv) a system for management to monitor, in real time, that staff is performing necessary checks on theater operations.

Technical Services

Newly deployed technology across the board requires up to date specification, training, service, and consulting to maintain mission critical equipment. We offer a suite of pre and post deployment services from on-site repair and warranty service, to proactive remote monitoring of networked equipment.

Project Management, System Design and FF&E — We offer a wide range of technical, design and consulting services such as custom engineering, audio visual integration, systems design, and installation, as well as software solutions. To compliment the aforementioned services MiT provides turnkey Project Management & Furniture Fixture & Equipment (FF&E) services to commercial cinema exhibitors for new construction and remodels, including design, consulting, and procurement of seats, screen systems, lighting, acoustical treatments, screens, projection and sound equipment for upgrades and new professional cinema, screening room, postproduction facilities and ultra-high-end cinema builds.

Our Project Management includes consulting with architects through to final fixturing and calibration. Our staff of mechanical and electrical engineers work closely with end users as well as OEM manufacturers, and can participate in every phase of the process from conceptual design and development to production on most any scale. MiT personnel have designed, specified and installed thousands of commercial cinemas, post production, screening and high-end residential rooms and have been involved in the digital cinema conversion rollouts of clients such as AMC, Cinemark, Cinapolis, Cinemex, Reading, Metropolitan, Hollywood, Regal, Syufy, Harkins, and other smaller circuits.

New Business Initiatives

We continue to explore new lines of business complementary with our core business, focusing on entertainment technologies and related products and services.

MiTranslator — beginning in 2016, the Americans with Disabilities Act (ADA) required theaters to have provisions for seeing- and hearing-impaired patrons. In 2022, we acquired the ADA compliance product line from USL, giving MiT ownership of the leading product for theater ADA compliance. However, in partnership with Hana Media and Epson America, we recently productized and began marketing a new system targeting a much larger audience that is not proficient in English. The MiTranslator, which combines full ADA compliance with a multi-language capability, is a unique offering accessible through a mobile application on a user’s mobile device or through AR (Augmented Reality) glasses to allow any language captioning to be displayed on the glasses, permitting non-native English-speaking patrons the ability to enjoy the cinematic experience more fully. This system also allows cinemas to reach out to what we believe is an underserved audience base in their communities. Sign language will also be supported through the same system.

Direct View LED screens. MiT is the only company that has installed and commissioned the three leading DCI Directview LED cinema systems (“Samsung ONYX Cinema”, “LG DVLED Cinema” & “SONY Crystal LED”). Additionally, MiT utilizing our in-house design fabrication and manufacturing has designed and installed custom DirectView LED Screen frames for two of those installations.

We believe that Direct View LED is disruptive to the current front projection paradigm and offers several benefits to exhibitors and filmmakers which we believe will drive demand for these systems in the years to come. While LED displays have been around for years (e.g., the giant displays in virtually every sports arena), the constant miniaturization of this technology has now made cinema exhibition possible. Direct View LED screens utilize a technology that is an alternative to the century-old streaming of projector light thrown onto screens; the LED screen is more akin to a giant television screen, and its use renders the projection booth unnecessary. These emissive displays can deliver dramatically improved contrast for a dynamic image range substantially in excess of projection capabilities. Also, LED is ideal for displaying High Dynamic Range (HDR) which we believe is the main video aesthetic enhancement used to boost audience experience in cinemas. Since the LED consumes no power when they are switched off to ‘illuminate’ black, this saves on electricity versus the always-on energy of laser projection or xenon lamps. LED panels can also last up to 100,000 hours or 15 years, whereas projectors have a lifespan of barely half that.

Strategic acquisitions of complementary products and technologies.

Our first acquisition was the acquisition of Caddy Products LLC (“Caddy”) which closed effective January 1, 2019. Their markets include cinema, sports, grocery, performing arts, worship and retail industries. Products include patented cup holders and trays built into luxury cinema seats, cinema step and aisle lighting, cups, trays, and advertising displays used in large sports arenas. Caddy products are protected by 21 active and 6 pending patents.

We will continue to evaluate our targeted acquisition strategy based on several factors, including profitability, enhancement of the overall customer experience, pricing models, throughput, types of content featured and differences in geographic areas.

Sales and Marketing

We market and sell directly to theater exhibitors, and through certain domestic and international value-added resellers. We have developed ongoing customer relationships with a large portion of the theater owners in the United States and a number of the major theater owners internationally. Our sales and marketing staff principally develop business by maintaining regular personal contact with our established customer relationships, including conducting site visits. In our sales and marketing efforts, we emphasize our value proposition of providing the broadest range of products and services delivered by our experienced technical service teams, which provides a significant resource to our clients in managing the complexities of digital technology in the cinema exhibition industry. Our sales and marketing professionals have extensive experience with our product and service offerings and have long-term relationships throughout the industry.

Our top ten customers accounted for approximately 37% and 48% of net revenues for the years ended June 30, 2023 and 2022, respectively. Trade accounts receivable from these customers represented approximately 19% and 48% of net receivables at June 30, 2023 and 2022, respectively. No customer accounted for more than 10% of the Company's revenue for the years ended June 30, 2023 and 2022. While we believe our relationships with such customers are stable, most arrangements are made by purchase order and are terminable at will by either party. We could also be adversely affected by such factors as changes in foreign currency rates and weak economic and political conditions in each of the countries in which we sell our products.

Manufacturing and Assembly

MiT has 28,000 square feet of office, warehouse and in-house manufacturing/assembly space in Southern California, which is home to our corporate offices, engineering, distribution, integration as well as service and support divisions. A global network of service partners and OEM manufacturers augments our primary location.

We develop, manufacture, design and assemble the key elements of the theatrical systems we offer. Proprietary components are either manufactured in house or provided under original equipment manufacturers agreements with outside vendors. These proprietary parts include custom pedestals, enclosures, racks and specialized lighting and control equipment. Fabrication of most other parts and sub-assemblies is subcontracted to a group of third-party suppliers. We believe our significant suppliers will continue to supply quality products in quantities sufficient to satisfy our needs. We inspect all parts and sub-assemblies, complete the final assembly and then subject the system to comprehensive testing individually prior to shipment.

We believe that our quality control procedures and the quality standards for the products we distribute or service have contributed significantly to our reputation for high performance and reliability. The inspection of incoming materials and components as well as the testing of all of our products during various stages of the sales and service cycle are key elements of this program.

Trademarks

We own or otherwise have rights to various trademarks and trade names used in conjunction with the sale of our products. We believe our success will not be dependent upon trademark protection, but rather upon our engineering capabilities and research and production techniques.

Backlog

Our sales backlog at June 30, 2023 was approximately \$12.02 million, which represented orders currently planned to be shipped substantially by January 31, 2024. Backlog at June 30, 2022 was \$10.03 million. All open orders at June 30, 2022, except one for approximately \$0.2 million due to customer deferral, were fulfilled in year ended June 30, 2023.

Sales backlog typically represents the fixed contracted revenue under signed theater system installation or upgrade agreements that we believe will be recognized as revenue upon installation/upgrade and acceptance of the associated theater. The dollar value fluctuates depending on the number of new and upgraded theater system arrangements signed from year to year, which adds to backlog and the installation and acceptance of theater systems and the settlement of contracts, both of which reduce backlog. Sales backlog includes initial fees along with the estimated value of contractual ongoing fees due over the term; however, it excludes amounts allocated to maintenance and extended warranty revenues as well as fees (contingent fees) in excess of contractual ongoing fees that may be received in the future. We believe that the contractual obligations for theater system installations that are listed in sales backlog are valid and binding commitments.

From time to time, in the normal course of its business, we will have customers who are unable to proceed with a theater system installation or upgrade for a variety of reasons, including the inability to obtain certain consents, approvals or financing. Once the determination is made that the customer will not proceed with installation or upgrade, the agreement with the customer is terminated or amended. If the agreement is terminated, once MiT and the customer are released from all their future obligations under the agreement, all or a portion of the initial fees that the customer previously made to us are recognized as revenue.

Competition

The markets for our products are highly competitive. The primary competitive factors are price, product quality, features and customer support. We compete with a few large, and many small, cinema equipment dealers.

Regulation

We are subject to complex laws, rules and regulations affecting our domestic and international operations relating to, for example, environmental, safety and health requirements; exports and imports; bribery and corruption; tax; data privacy; labor and employment; competition; and intellectual property ownership and infringement. Compliance with these laws, rules and regulations may be onerous and expensive, and if we fail to comply or if we become subject to enforcement activity, our ability to manufacture our products and operate our business could be restricted and we could be subject to fines, penalties or other legal liability. Furthermore, should these laws, rules and regulations be amended or expanded, or new ones enacted, we could incur materially greater compliance costs or restrictions on our ability to manufacture our products and operate our business.

Some of these complex laws, rules and regulations — for example, those related to environmental, safety and health requirements — may particularly affect us in the jurisdictions in which we manufacture products, especially if such laws and regulations require the use of abatement equipment beyond what we currently employ, require the addition or elimination of a material or process to or from our current manufacturing processes, or impose costs, fees or reporting requirements on the direct or indirect use of energy, or of materials or gases used or emitted into the environment, in connection with the manufacture of our products. There can be no assurance that in all instances a substitute for a prohibited raw material or process would be available, or be available at reasonable cost.

Employees

We employed 32 full-time personnel as of June 30, 2023. We are not a party to any collective bargaining agreement.

ITEM 1A. RISK FACTORS

Investing in our Common Stock involves a high degree of risk. Investors should carefully consider the risks described below, together with all of the other information included or referred to in this Report, before purchasing shares of our Common Stock. The risks set out below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us might also impair our operations and performance. If any of these risks actually occurs, our business, financial condition or results of operations may be materially adversely affected. In such case, the trading price of our Common Stock could decline and investors in our Common Stock could lose all or part of their investment.

Risks Related to Our Business

The COVID-19 pandemic and ensuing governmental responses have negatively impacted, and could further materially adversely affect, our business, financial condition, results of operations and cash flows.

The COVID-19 pandemic 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.

Through 2020 and 2022 the theatres reopened as soon as local restrictions and the status of the COVID-19 pandemic would allow. As of June 30, 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.

On September 7, 2022, Regal Cinema's (our customer) parent company, Cineworld, filed for bankruptcy protection due to the slow recovery following the effects of COVID on the industry resulting in a canceled order. On August 1, 2023, Cineworld emerged from bankruptcy.

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.

General political, social and economic conditions can adversely affect our business.

Demand for our products and services depends to a significant degree on spending in our markets. Commercial movie exhibitors generate revenues from consumer attendance at their theaters, which depends on the willingness of consumers to visit movie theaters and spend discretionary income at movie theaters. In the event of declining box-office and concession revenues, whether as a result of an economic downturn or political or other economic event, commercial exhibitors may be less willing to invest capital in building or refurbishing theaters. Worsening economic and market conditions, downside shocks, economic inflation or a return to recessionary economic conditions could serve to reduce demand for our products and services and adversely affect our operating results. However, the cinema industry has historically shown incredible resilience in such economic downturns, as it remains a regional and affordable out of home experience. These economic conditions may also impact the financial condition of one or more of our key suppliers, which could affect our ability to secure product to meet our customers' demand. In addition, a downturn in the cinema market could impact the valuation and collectability of certain receivables held by us. We could also be adversely affected by such factors as changes in foreign currency rates and weak economic and political conditions in each of the countries in which we sell our products.

Interruptions of, or higher prices of, products and services from our suppliers may affect our results of operations and financial performance.

A significant portion of our revenue is generated from the distribution to the theater exhibition industry of digital cinema equipment and services manufactured or developed by third party OEMs or software developers. These OEMs include companies such as NEC, Barco, Christie, QSC, JBL, Dolby and Samsung. If we fail to maintain satisfactory relationships with these entities, or if these entities experience significant financial difficulties, we could experience difficulty in obtaining needed goods and services which would have an adverse effect on our business. Even if we are able to secure alternative arrangements with OEMs or software developers of similar products, products or software services sourced from alternative sources may not be as functional or desirable to potential customers which could cause such customers to meet their digital cinema needs elsewhere.

With respect to those other products and components which we offer but do not manufacture in-house, the loss of, or substantial decrease in the availability of, products from our suppliers, or the loss of our key supplier agreements, could adversely impact our financial condition, operating results and cash flows. In addition, supply interruptions have in the past arisen and could arise in the future from effects of the COVID-19 pandemic, shortages of raw materials, labor disputes or weather conditions affecting products or shipments, transportation disruptions, adjustments to our inventory levels or other factors within and beyond our control.

Short- and long-term disruptions in our supply chain would result in a need to maintain higher inventory levels as we replace similar product, a higher cost of product and ultimately a decrease in our net sales and profitability. A disruption in the timely availability of our products by our key suppliers would result in a decrease in our revenues and profitability. Although in many instances we have agreements with our suppliers, these agreements are generally terminable by either party on limited notice. Failure by our suppliers to continue to supply us with products on commercially reasonable terms, or at all, would put pressure on our operating margins and have a material adverse effect on our financial condition, operating results and cash flows. Short-term changes in the cost of these materials, some of which are subject to significant fluctuations, are sometimes, but not always passed on to our customers. Our inability to pass on material price increases to our customers could adversely impact our financial condition, operating results and cash flows.

If we are unable to timely introduce new products and services or enhance existing products and services, our business may be adversely affected.

New technological innovations continue to impact our industry. Our success depends in part on our ability to anticipate and satisfy consumer preferences in a timely manner. As we operate in a dynamic environment characterized by rapidly changing technologies and industry and legal standards, our products and services are subject to changing consumer preferences that cannot be predicted with certainty. We must continually introduce new products and services, identify future products and product lines that complement existing products and product lines and that respond to our customers' needs and improve and enhance our existing products and services to maintain or increase our sales. We may not be able to compete effectively unless our product selection keeps up with trends in the markets in which we compete or trends in new products. In addition, our ability to integrate new products and product lines into our distribution network could impact our ability to compete. The success of new or enhanced products and services may depend on a number of factors including, anticipating and effectively addressing consumer preferences and demand, the success of our sales and marketing efforts, timely and successful research and development, effective forecasting and management of product demand, purchase commitments, and inventory levels, effective management of manufacturing and supply costs, and the quality of or defects in our products. Problems in the design or quality of our products or services may also have an adverse effect on our brand, business, financial condition, and operating results. It is also possible that competitors could introduce new products and services that negatively impact consumer preference for our products and services, which could result in decreased sales and a loss in market share. Accordingly, if we are unable to respond to the technological preferences of our customers, or if we fail to anticipate and satisfy consumer preferences in a timely manner, our business may be adversely affected.

We depend in part on distributors, dealers and resellers to sell and market our products and services, and our failure to maintain and further develop our sales channels could harm our business.

In addition to our in-house sales force, we sell our products and services through distributors, dealers and resellers. As we do not have long-term contracts with most of them, these agreements may be cancelled at any time. Any changes to our current mix of distributors could adversely affect our gross margin and could negatively affect both our brand image and our reputation. If our distributors, dealers and resellers are not successful in selling our products, our revenue would decrease. Specifically, the shutdowns of local and state economies as a result of the COVID-19 pandemic have and may continue in the future to adversely affected the operations of our dealers and resellers. In addition, our success in expanding and entering into new markets internationally will depend on our ability to establish relationships with new distributors. If we do not maintain our relationship with existing distributors or develop relationships with new distributors, dealers and reseller our ability to grow our business and sell our products and services could be adversely affected and our business may be harmed.

Our operating results could be materially harmed if we are unable to accurately forecast consumer demand for our products and services and adequately manage our inventory.

To ensure adequate inventory supply, we must forecast inventory needs and expenses and place orders sufficiently in advance with our suppliers and contract manufacturers based on our estimates of future demand for particular products. Our ability to accurately forecast demand for our products and services could be affected by many factors, including an increase or decrease in customer demand for our products and services or for products and services of our competitors, product and service introductions by competitors, unanticipated changes in general market conditions, effects of the COVID-19 pandemic and the weakening of economic conditions or consumer confidence in future economic conditions. If we fail to accurately forecast customer demand, we may experience excess inventory levels or a shortage of products available for sale. Inventory levels in excess of customer demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would cause our gross margin to suffer and could impair the strength of our brand. Conversely, if we underestimate customer demand for our products and services, our suppliers may not be able to deliver products to meet our requirements, and this could result in damage to our brand and customer relationships and adversely affect our revenue and operating results.

Our operating margins may decline as a result of increasing product costs.

Our business is subject to significant pressure on pricing and costs caused by many factors, including intense competition, the cost of components used in our products, labor costs, constrained sourcing capacity, inflationary pressure, pressure from customers to reduce the prices we charge for our products and services, and changes in consumer demand. Costs for the raw materials used in the manufacture of our products are affected by, among other things, energy prices, consumer demand, fluctuations in commodity prices

and currency, and other factors that are generally unpredictable and beyond our control. Increases in the cost of raw materials used to manufacture our products or in the cost of labor and other costs of doing business in the United States and internationally could have an adverse effect on, among other things, the cost of our products, gross margins, operating results, financial condition, and cash flows.

Our sales and contract fulfillment cycles can be long, unpredictable and vary seasonally, which can cause significant variation in revenues and profitability in a particular quarter.

The timing of our sales and related customer contract fulfillment is difficult to predict. Many of our customers are large enterprises, whose purchasing decisions, budget cycles and constraints and evaluation processes are unpredictable and out of our control. Further, the timing of our sales is difficult to predict. The length of our sales cycle, from initial evaluation to payment for our products and services, can range from several months to well over a year and can vary substantially from customer to customer. Our sales efforts involve significant investment in resources in field sales, marketing and educating our customers about the use, technical capabilities and benefits of our products and services. Customers often undertake a prolonged evaluation process. As a result, it is difficult to predict exactly when, or even if, we will make a sale to a potential customer or if we can increase sales to our existing customers. Large individual sales have, in some cases, occurred in quarters subsequent to those we anticipated, or have not occurred at all. In addition, the fulfillment of our customer contracts is partially dependent on other factors related to our customers' businesses that are not in our control. As with the sales cycle, this can also cause revenues and earnings to fluctuate from quarter to quarter. Specifically, a significant number of our customers have cancelled or pushed back the delivery of pending product orders and/or delayed the start of scheduled theater refurbishing and construction projects. If our sales and/or contract fulfillment cycles lengthen or our substantial upfront investments do not result in sufficient revenue to justify our investments, our operating results could be adversely affected.

We have experienced seasonal and end-of-quarter concentration of our transactions and variations in the number and size of transactions that close in a particular quarter, which impacts our ability to grow revenue over the long term and plan and manage cash flows and other aspects of our business and cost structure. In addition, our operating results can vary from quarter to quarter as a result of seasonality in consumer spending and payment patterns. A large part of our business is concerned with new theater builds, which often see substantial delays due to weather, but also financing timing, permits and governmental delays, and other unpredictable problems often associated with large real estate projects. Also, our revenue growth generally is higher during the first and fourth quarters of the fiscal year as the weather improves, the digital cinema market becomes more active and consumers begin new theater builds or remodels projects. During these periods, we tend to experience increased transaction volume. Conversely, our revenue growth generally slows during the second quarter of the fiscal year, as spending on new theater construction and theater improvement projects tends to slow leading up to the holiday season and through the winter months. As a result, growth in transaction volume also tends to slow during these periods. We expect this seasonality to continue for the foreseeable future, which may cause fluctuations in our operating results and financial metrics. However, our seasonality trends may vary in the future as we introduce products to new industry verticals and we become less concentrated in the new theater construction and improvement sector. If expectations for our business turn out to be inaccurate, our revenue growth may be adversely affected over time and we may not be able to adjust our cost structure on a timely basis and our cash flows may suffer.

We are substantially dependent upon significant customers who could cease purchasing our products and services at any time.

Our top ten customers accounted for approximately 37% and 48% of net revenues for the years ended June 30, 2023 and 2022, respectively. Trade accounts receivable from these customers represented approximately 19% and 48% of net receivables at June 30, 2023 and 2022, respectively. No customer accounted for more than 10% of the Company's revenue for the year ended June 30, 2023 or 2022. While we believe our relationships with such customers are stable, most arrangements are made by purchase order and are terminable at will by either party. We could also be adversely affected by such factors as changes in foreign currency rates and weak economic and political conditions in each of the countries in which we sell our products.

Our success depends on our ability to maintain our brand. If events occur that damage our brand, our business and financial results may be harmed.

Our business, results of operations and prospects depend, in part, on our ability to maintain the value of our brand and reputation for providing high quality products and services. Maintaining, promoting, and positioning our brand depends largely on the success of our marketing efforts and our ability to provide consistent, high-quality products and services. Our brand could be harmed

if we fail to achieve these objectives or if our public image or brand were to be tarnished by negative publicity. We also believe that our reputation and brand may be harmed if we fail to maintain a consistently high level of customer service. If we fail to successfully maintain, promote, and position our brand and protect our reputation or if we incur significant expenses in this effort, our business, financial condition and operating results may be adversely affected.

Any failure to offer high-quality customer support may harm our relationships with our customers and our results of operations.

Our customers depend on our customer support teams to resolve technical and operational issues if and when they arise. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for customer support. Customer demand for support may also increase as we expand the features available in our products. Increased customer demand for customer support, without corresponding revenue, could increase costs and harm our results of operations. In addition, as we continue to expand our business customer base, we need to be able to provide efficient and effective customer support that meets our business customers' needs and expectations globally at scale. The number of our business customers has grown significantly, which puts additional pressure on our support organization. If we are unable to provide efficient and effective customer support, our ability to grow our operations may be harmed and we may need to hire additional support personnel, which could harm our margins and results of operations. Our sales are highly dependent on our business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality customer support, or a market perception that we do not maintain high-quality customer support, could harm our reputation, our ability to sell our products and services to existing and prospective customers, our business, results of operations, and financial condition.

The nature of our business exposes us to product liability claims as well as other legal proceedings.

We rely in part on manufacturers and other suppliers to provide us with many of the products we sell and distribute. As we do not have direct control over the quality of the products manufactured or supplied by such third-party suppliers, we are exposed to risks relating to the quality of the products we distribute and install. It is possible that inventory from a manufacturer or supplier could be sold to our customers and later be alleged to have quality problems or to have caused personal injury, subjecting us to potential claims from customers or third parties. We have been subject to such claims in the past, which have been resolved without material financial impact. From time to time, we are involved in product liability claims relating to the products we distribute and manufacture and relating to products we have installed. In certain situations, we have undertaken to voluntarily remediate any defects, which can be a costly measure.

While we currently maintain insurance coverage to address a portion of these types of liabilities, we cannot make assurances that we will be able to obtain such insurance on acceptable terms in the future, if at all, or that any such insurance will provide adequate coverage against potential claims. Further, while we seek indemnification against potential liability for product liability claims from relevant parties, including but not limited to manufacturers and suppliers, we cannot guarantee that we will be able to recover under such indemnification agreements. Moreover, if we increase the number of private label products we distribute, our exposure to potential liability for products liability claims may increase. Product liability claims can be expensive to defend and can divert the attention of management and other personnel for significant time periods, regardless of the ultimate outcome. An unsuccessful product liability defense could be highly costly and accordingly result in a decline in profitability. Finally, even if we are successful in defending any claim relating to the products we distribute, claims of this nature could negatively impact customer confidence in our products and our company.

We may not convert all of our backlog into revenue and cash flows.

At June 30, 2023, our sales backlog was approximately \$12.02 million, which represented orders to be shipped substantially by January 2024. We list signed contracts for theater construction or refurbishing for which revenue has not been recognized as sales backlog prior to the time of revenue recognition. The total value of the sales backlog represents all signed agreements that are expected to be recognized as revenue in the future and includes initial fees along with the value of fixed minimum ongoing fees due over the term, but excludes contingent fees in excess of fixed minimum ongoing fees that might be received in the future and maintenance and extended warranty fees. Notwithstanding the legal obligation to do so, not all of our customers with which we have signed contracts may complete theatrical construction or refurbishing systems that are included in our backlog. This could adversely affect our future revenues and cash flows. In addition, customers with obligations in backlog sometimes request that we agree to modify or reduce such obligations, which we have agreed to in the past under certain circumstances. Customer requested delays in the construction or refurbishing of theaters in backlog remain a recurring and unpredictable part of our business. Specifically, as a result

of the effects of the COVID-19 pandemic, a significant number of our customers had temporarily ceased operations and others have cancelled or pushed back the delivery of pending product orders and/or delayed the start of scheduled theater refurbishing and construction projects.

We operate in a highly competitive market. If we do not compete effectively, our prospects, operating results, and financial condition could be adversely affected.

The markets for our products and services are highly competitive, with companies offering a variety of competitive products and services. In addition, we face competition for consumer attention from other forms of entertainment that may be more attractive to consumers than those utilizing our technologies. We expect competition in our markets to intensify in the future as new and existing competitors introduce new or enhanced products and services that are potentially more competitive than our products and services. We believe many of our competitors and potential competitors have significant competitive advantages, including longer operating histories, ability to leverage their sales efforts and marketing expenditures across a broader portfolio of products and services, larger and broader customer bases, more established relationships with a larger number of suppliers, contract manufacturers, and channel partners, greater brand recognition, and greater financial, research and development, marketing, distribution, and other resources than we do. Our competitors and potential competitors may also be able to develop products or services that are equal or superior to ours, achieve greater market acceptance of their products and services, and increase sales by utilizing different distribution channels than we do. Some of our competitors may aggressively discount their products and services in order to gain market share, which could result in pricing pressures, reduced profit margins, lost market share, or a failure to grow market share for us. If we are not able to compete effectively against our current or potential competitors, our prospects, operating results, and financial condition could be adversely affected.

We are subject to competitive pricing pressure from our customers.

Certain of our largest customers historically have exerted significant pressure on their outside suppliers to keep prices low because of their market share and their ability to leverage such market share in the highly fragmented digital cinema products and services industry. The previous economic downturn resulted in increased pricing pressures from our customers and could occur again. If we are unable to generate sufficient cost savings to offset any price reductions, our financial condition, operating results and cash flows may be adversely affected.

Our international operations subject us to indirect risks, which could adversely affect our operating results.

The Company sells internationally thru existing domestic customers. Still, our international operations are exposed to the following risks, several of which are out of our control:

- political and economic instability, international terrorism and anti-American sentiment, particularly in emerging markets;
- preference for locally-branded products, and laws and business practices favoring local competition;
- unusual or burdensome foreign laws or regulations, and unexpected changes to those laws or regulations;
- import and export license requirements, tariffs, taxes and other barriers;
- costs of customizing products for foreign countries;
- increased difficulty in managing inventory;
- less effective protection of intellectual property; and
- difficulties and costs of staffing and managing foreign operations.

Any or all of these factors could adversely affect our ability to execute any geographic expansion strategies or have a material adverse effect on our business and results of operations.

We are undertaking and may enter into new lines of business and these new business initiatives may not be successful.

We have recently undertaken some new lines of business and intend to continue to opportunistically pursue new lines in the future. For example, Caddy's product line consists of products we had not previously offered to our customer base. These initiatives represent new areas of growth for us and could include the offering of new products and services that may not be accepted by the market. If any new business which we acquire, invest in or attempt to develop does not progress as planned, we may be adversely affected by investment expenses that have not led to the anticipated results, by the distraction of management from our core business or by damage to our brand or reputation.

In addition, these initiatives may involve the formation of joint ventures and business alliances. While we would intend to seek to employ the optimal structure for each such business alliance, the alliance may require a high level of cooperation with and reliance on our partners and there is a possibility that we may have disagreements with its relevant partner with respect to financing, technological management, product development, management strategies or otherwise. Any such disagreement may cause the joint venture or business alliance to be terminated.

We may need to raise additional capital required to grow our business, and we may not be able to raise capital on terms acceptable to us or at all.

Growing and operating our business will require significant cash outlays, capital expenditures and commitments. We have utilized cash on hand and cash generated from operations as sources of liquidity. If cash on hand and cash generated from operations are not sufficient to meet our cash requirements, we will need to seek additional capital, potentially through equity or debt financing, to fund our growth. Our ability to access the credit and capital markets in the future as a source of liquidity, and the borrowing costs associated with such financing depend upon market conditions. We cannot provide any assurance that our assumptions used to estimate our liquidity requirements will remain accurate due to the unprecedented nature of the disruption to our operations. In the event of a sustained market deterioration, and continued revenue declines, we may need additional liquidity, which would require us to evaluate available alternatives and take appropriate actions. We cannot provide any assurance that we will be able to obtain additional sources of financing or liquidity on acceptable terms, or at all.

In addition, any equity securities we issue, including any preferred stock, may be on terms that are dilutive or potentially dilutive to our stockholders, and the prices at which new investors would be willing to purchase our securities may be lower than the trading price per share of our Common Stock. The holders of any equity securities we issue, including any preferred stock, may also have rights, preferences or privileges which are senior to those of existing holders of Common Stock. If new sources of financing are required, but are insufficient or unavailable, we will be required to modify our growth and operating plans based on available funding, if any, which would harm our ability to grow our business.

We may make acquisitions that are dilutive to existing stockholders. In addition, our limited experience in acquiring other businesses, product lines and technologies may make it difficult for us to overcome problems encountered in connection with any acquisitions we may undertake.

We intend to evaluate and explore strategic opportunities as they arise, including business combinations, strategic partnerships, and the purchase, licensing or sale of assets. In connection with any such future transaction, we could issue dilutive equity securities, incur substantial debt, reduce our cash reserves or assume contingent liabilities.

Our experience in acquiring other businesses, product lines and technologies is limited. Our inability to overcome problems encountered in connection with any acquisitions could divert the attention of management, utilize scarce corporate resources and otherwise harm our business. Any potential future acquisitions also involve numerous risks, including:

- problems assimilating the purchased operations, technologies or products;
- costs associated with the acquisition;

- adverse effects on existing business relationships with suppliers and customers;
- risks associated with entering markets in which we have no or limited prior experience;
- potential loss of key employees of purchased organizations; and
- potential litigation arising from the acquired company's operations before the acquisition.

Furthermore, acquisitions may require material charges and could result in adverse tax consequences, substantial depreciation, deferred compensation charges, in-process research and development charges, the amortization of amounts related to deferred compensation and identifiable purchased intangible assets or impairment of goodwill, any of which could negatively affect our results of operations.

We have limited human resources; we need to attract and retain highly skilled personnel; and we may be unable to manage our growth with our limited resources effectively.

The expansion of our business has placed a significant strain on our limited managerial, operational, and financial resources. We have been and will continue to be required to expand our operational and financial systems significantly and to expand, train and manage our work force to manage the expansion of our operations. Our future success will largely depend in large part on our ability to attract, train, and retain additional highly skilled executive level management with experience in the digital cinema industry. Competition is intense for these types of personnel from more established organizations, many of which have significantly larger operations and greater financial, marketing, human, and other resources than we have. We may not be successfully attract and retaining qualified personnel on a timely basis, on competitive terms or at all. To date we have had to limit the engagement of critical management and other key personnel due in part to limited financial resources. If we are not successful in attracting and retain these personnel, our business, prospects, financial condition and operating results would be materially adversely affected. Further, our ability to manage our growth effectively will require us to continue to improve our operational, financial and management controls, reporting systems and procedures, to install new management information and control systems and to train, motivate and manage employees. If we are unable to manage growth effectively and new employees are unable to achieve adequate performance levels, our business, prospects, financial condition and operating results will be materially adversely affected.

We depend on our founders, senior professionals and other key personnel, and our ability to retain them and attract additional qualified personnel is critical to our success and our growth prospects.

We depend on the diligence, skill, judgment, business contacts and personal reputations of our founders, executive officers and other key personnel. In addition, certain of our officers have built highly regarded reputations in the digital cinema industry, and they aid in attracting and identifying opportunities and negotiating for us with large and institutional clients. As we continue to grow, our success will largely depend on our ability to attract and retain qualified personnel in all business areas. We may be unable to continue to hire and retain a sufficient number of qualified personnel to support or keep pace with our planned growth.

If we are unable to maintain and protect our intellectual property, or if third parties assert that we infringe on their intellectual property rights, our business could suffer.

Our business depends, in part, on our ability to identify and protect proprietary information and other intellectual property such as our, client lists and information and business methods. We rely on a combination of trade secrets, confidentiality policies, non-disclosure and other contractual arrangements and copyright and trademark laws to protect our intellectual property rights. However, we may not adequately protect these rights, and their disclosure to, or use by, third parties may harm our competitive position. Our inability to detect unauthorized use of, or to take appropriate or timely steps to enforce, our intellectual property rights may harm our business.

Also, third parties may claim that our business operations infringe on their intellectual property rights. These claims may harm our reputation, cost us money to defend, distract the attention of our management and prevent us from offering some services.

Confidential intellectual property is increasingly stored or carried on mobile devices, such as laptop computers, which increases the risk of inadvertent disclosure where the mobile devices are lost or stolen and the information has not been adequately

safeguarded or encrypted. This also makes it easier for someone with access to our systems, or someone who gains unauthorized access, to steal information and use it to our disadvantage. Advances in technology, which permit increasingly large amounts of information to be stored on mobile devices or on third-party “cloud” servers, may exacerbate these risks.

Our business could be adversely affected by security breaches through cyber-attacks, cyber intrusions or otherwise.

We face risks associated with security breaches, whether through cyber-attacks or cyber intrusions over the internet, malware, computer viruses, attachments to e-mails, persons inside our organization or persons with access to systems inside our organization, and other significant disruptions of our information technology networks and related systems. These risks include operational interruption, private data exposure and damage to our relationship with our customers, among others. A security breach involving our networks and related systems could disrupt our operations in numerous ways that could ultimately have an adverse effect on our financial condition and results of operations.

Natural disasters and other catastrophic events beyond our control, including but not limited to the COVID-19 pandemic, has and could continue in the future adversely affect our business operations and financial performance.

The occurrence of the global COVID-19 pandemic has had a material adverse effect on our business. A significant number of our customers have temporarily ceased operations and others have cancelled or pushed back the delivery of pending product orders and/or delayed the start of scheduled theater refurbishing and construction projects. In addition, we have experienced increased challenges in or cost of acquiring new customers and increased risk in collectability of accounts receivable. As a result of the aforementioned factors, our financial and operating results for the year ended June 30, 2023 have been and our projected financial and operating results for fiscal 2024 will be adversely affected.

The occurrence of one or more other natural disasters, such as fires, hurricanes, tornados, tsunamis, floods and earthquakes; geo-political events, such as civil unrest in a country in which our suppliers and/or customers are located or terrorist or military activities disrupting transportation, communication or utility systems; or other highly disruptive events, such as nuclear accidents, pandemics, unusual weather conditions or cyber-attacks, could adversely affect our operations and financial performance.

The occurrence of the global COVID-19 pandemic has resulted in, and such other events could result in, among other things, operational disruptions, or disruption of one or more of our properties or properties used by third parties in connection with the supply of products or services to us, the lack of an adequate workforce in parts or all of our operations and communications and transportation disruptions. The occurrence of the global COVID-19 pandemic has caused, and these factors could also cause, consumer confidence and spending to decrease or result in increased volatility in the United States and global financial markets and economy. Such occurrences have had and could in the future have a material adverse effect on us and could also have indirect consequences such as increases in the costs of insurance if they result in significant loss of property or other insurable damage.

Our business could be adversely affected by entertainment content provider labor disputes, strikes and shutdowns.

From time to time, entertainment content providers can have labor disputes, strikes and shutdowns that curtail the production and release of entertainment content featured at the cinema venues that we support. A lack of entertainment content at our customer cinema venues results in revenues losses at the cinema and may impact our customer’s ability to continue with existing or new venue upgrades using our products and services. A lack of entertainment content featured at the cinema venues that we support as a result entertainment content providers labor disputes, strikes and shutdowns could ultimately have an adverse effect on our financial condition and results of operations.

Risks Related to Ownership of Our Common Stock

We do not know whether an active, liquid and orderly trading market will develop for our Common Stock or what the market price of our Common Stock will be and as a result it may be difficult for you to sell your shares of our Common Stock.

Prior to completion of our initial public offering in July 2021, there was no market for the shares of our Common Stock and, although our Common Stock is listed on NYSE American, an active trading market for these securities may never develop or be sustained. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value of your shares. Further, an inactive market may also impair our ability to raise capital by selling shares of our Common Stock and may impair our ability to enter into collaborations or acquire companies or products by using our shares of Common Stock as consideration. The market price of our Common Stock may be volatile, and you could lose all or part of your investment.

Our operating results and share price may be volatile and the market price of our Common Stock may decrease.

Our quarterly operating results have in the past fluctuated and are likely to do so in the future. As a result, the trading price of the shares of our Common Stock is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. In addition to the factors discussed in this “Risk Factors” section and elsewhere in this Report, these factors include:

- the success of competitive products or technologies;
- actual or anticipated changes in our growth rate relative to our competitors;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, collaborations or capital commitments;
- regulatory or legal developments in the United States and other countries;
- the recruitment or departure of key personnel;
- the level of expenses;
- changes in our backlog in a given period;
- seasonality in our business, specifically our second fiscal quarter which is traditionally weaker;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- inconsistent trading volume levels of our shares;
- announcement or expectation of additional financing efforts;
- sales of our Common Stock by us, our insiders or our other stockholders;
- market conditions in the digital cinema sector; and

- general economic, industry and market conditions.

These and other factors, many of which are beyond our control, may cause our operating results and the market price and demand for our shares to fluctuate substantially. While we believe that operating results for any particular quarter are not necessarily a meaningful indication of future results, fluctuations in our quarterly operating results could limit or prevent investors from readily selling their shares and may otherwise negatively affect the market price and liquidity of our shares. In addition, the stock market in general, and companies in our markets in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our Common Stock, regardless of our actual operating performance. The realization of any of these risks or any of a broad range of other risks, including those described in these “Risk Factors,” could have a dramatic and material adverse impact on the market price of the shares of our Common Stock.

We may be subject to securities litigation, which is expensive and could divert management attention.

The market price of the shares of our Common Stock may be volatile, and in the past companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management’s attention from other business concerns, which could seriously harm our business.

Insiders exercise significant control over our company and all corporate matters.

Our directors and executive officers beneficially owned, in the aggregate, approximately 31.6% of our outstanding capital stock as of September 22, 2023. As a result, if they act together, these stockholders will be able to exercise significant influence over all matters submitted to our stockholders for approval, including the election of directors and approval of significant corporate transactions, such as (i) making changes to our certificate of incorporation whether to issue additional Common Stock and preferred stock, including to itself, (ii) employment decisions, including compensation arrangements; and (iii) whether to enter into material transactions with related parties. This concentration of ownership may also have the effect of delaying or preventing a third party from acquiring control of our company which could adversely affect the price of our Common Stock.

We are an “emerging growth company” and we intend to take advantage of reduced disclosure and governance requirements applicable to emerging growth companies, which could result in our shares of Common Stock being less attractive to investors.

We are an “emerging growth company,” as defined in the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our shares of Common Stock less attractive because we will rely on these exemptions. If some investors find our Common Stock less attractive as a result, there may be a less active trading market for our shares of common stock and the market price of such securities may be more volatile. We may take advantage of these reporting exemptions until we are no longer an emerging growth company, which in certain circumstances could be for up to five years. We will cease to be an “emerging growth company” upon the earliest of: (1) the last day of the fiscal year following the fifth anniversary of our initial public offering, (2) the last day of the first fiscal year in which our annual gross revenues are \$1.235 billion or more, (3) the date on which we have, during the previous rolling three-year period, issued more than \$1 billion in non-convertible debt securities, and (4) the date on which we are deemed to be a “large accelerated filer” as defined in the Exchange Act.

Our status as an “emerging growth company” under the JOBS Act may make it more difficult to raise capital as and when we need it.

Because of the exemptions from various reporting requirements provided to us as an “emerging growth company” we may be less attractive to investors and it may be difficult for us to raise additional capital as and when we need it. Investors may be unable to compare our business with other companies in our industry if they believe that our financial accounting is not as transparent as other companies in our industry. If we are unable to raise additional capital as and when we need it, our financial condition and results of operations may be materially and adversely affected.

We incur increased costs as a result of being a public company and our management expects to devote substantial time to public company compliance programs.

As a public company, we incur significant legal, insurance, accounting and other expenses that we did not incur as a private company. In addition, our administrative staff is required to perform additional tasks. For example, we have adopted additional internal controls and disclosure controls and procedures and bear all of the internal and external costs of preparing and distributing periodic public reports in compliance with our obligations under the securities laws. This investment may result in increased general and administrative expenses and may divert management’s time and attention from the marketing and sale of our products. We maintain directors’ and officers’ insurance coverage at a level that we believe is customary for similarly situated companies and adequate to provide us with insurance coverage for foreseeable risks, which will increase our insurance cost. In the future, it may be more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

In addition, in order to comply with the requirements of being a public company, we have undertaken various actions, including implementing new internal controls and procedures and hiring new accounting or internal audit staff. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file with the Securities and Exchange Commission, or Commission, is recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms, and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. Any failure to develop or maintain effective controls could adversely affect the results of periodic management evaluations. In the event that we are not able to demonstrate compliance with the Sarbanes-Oxley Act, that our internal control over financial reporting is perceived as inadequate, or that we are unable to produce timely or accurate financial statements, investors may lose confidence in our operating results and the price of our common stock could decline. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on NYSE American.

We have identified material weaknesses in our internal control over financial reporting and may identify additional material weaknesses in the future that may cause us to fail to meet our reporting obligations or result in material misstatements of our financial statements. If we fail to remediate any material weaknesses or if we fail to establish and maintain effective control over financial reporting, our ability to accurately and timely report our financial results could be adversely affected.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f) and 15d-15(f). Internal control over financial reporting is a process used to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles in the United States. Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles in the United States, and that our receipts and expenditures are being made only in accordance with the authorization of our board of directors and management; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer and principal accounting officer), we performed an assessment of the Company's significant processes and key controls. Based on this assessment, management concluded that our internal controls over financial reporting were not effective as of June 30, 2023 due to the material weaknesses described below.

A material weakness is defined within the Public Company Accounting Oversight Board's Auditing Standard No. 5 as a deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. We determined that our internal control over financial reporting had the following material weaknesses:

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 (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.

For a discussion of our remediation plan, see Item 9A "Controls and Procedures". The actions we have taken are subject to continued review, supported by confirmation and testing by management. While we have implemented a plan to remediate these weaknesses, we cannot assure you that we will be able to remediate this weakness, which could impair our ability to accurately and timely report our financial position, results of operations or cash flows.

Our failure to remediate the material weaknesses identified above or the identification of additional material weaknesses in the future, could adversely affect our ability to report financial information, including our filing of quarterly or annual reports with the Commission on a timely and accurate basis. Moreover, our failure to remediate the material weakness identified above or the identification of additional material weaknesses could prohibit us from producing timely and accurate financial statements, which may adversely affect the market price of shares of our common stock and we may be unable to maintain compliance with NYSE American listing requirements.

Because we do not anticipate paying any cash dividends on our capital stock in the foreseeable future, capital appreciation, if any, will be your sole source of potential gain.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our shares of Common Stock will be your sole source of gain for the foreseeable future.

Our issuance of additional capital stock in connection with financings, acquisitions, investments, our equity incentive plans, or otherwise will dilute all other stockholders.

We expect to issue additional capital stock in the future that will result in dilution to all other stockholders. We also expect to grant equity awards to employees, directors, and consultants under our equity incentive plans. All the shares of Common Stock subject to outstanding awards and reserved for issuance under our equity incentive plans have been registered on Form S-8 under the Securities Act and such shares are eligible for sale in the public markets, subject to Rule 144 limitations applicable to affiliates. We may also raise capital through equity financings in the future. As part of our business strategy, we may acquire or make investments in complementary companies, products, or technologies, and issue equity securities to pay for any such acquisition or investment. Furthermore, if our existing stockholders sell, or indicate an intention to sell, substantial amounts of our Common Stock in the public market, then the trading price of our Common Stock could decline. Any such issuances of additional capital stock, sale of Common Stock by existing stockholders, or the perception in the market of stock issuances or sales, may cause stockholders to experience significant dilution of their ownership interests and the per share value of our Common Stock to decline.

Some provisions of our charter documents and Delaware law may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our stockholders and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our Certificate of Incorporation and Bylaws, as well as provisions of Delaware law, could make it more difficult for a third party to acquire us or increase the cost of acquiring us, even if doing so would benefit our stockholders, or remove our current management. These include provisions that:

- permit our board of directors to issue up to 10,000,000 additional shares of preferred stock, with any rights, preferences and privileges as they may designate;
- provide that all vacancies on our board of directors, including as a result of newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- require that any action to be taken by our stockholders must be affected at a duly called annual or special meeting of stockholders and not be taken by written consent;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide advance notice in writing, and also satisfy requirements as to the form and content of a stockholder's notice; and
- not provide for cumulative voting rights, thereby allowing the holders of a plurality of the shares of Common Stock entitled to vote in any election of directors to elect all of the directors standing for election.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, who are responsible for appointing the members of our management. Because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which may discourage, delay or prevent someone from acquiring us or merging with us whether or not it is desired by or beneficial to our stockholders. Under Delaware law, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction. Any provision of our Certificate of Incorporation or Bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of Common Stock, and could also affect the price that some investors are willing to pay for our shares of Common Stock.

Our Bylaws have an exclusive forum for adjudication of disputes provision which limits the forum to the Delaware Court of Chancery for certain actions against the Company.

Section 6 of Article VII of our Bylaws dictates that the Delaware Court of Chancery is the sole and exclusive forum for certain actions including derivative action or proceeding brought on behalf of the Company; an action asserting a breach of fiduciary duty owed by an officer, director, employee or to the shareholders of our company; any claim arising under Delaware corporate law; and any action asserting a claim governed by the internal affairs doctrine. These exclusive-forum provisions do not apply to claims under the Securities Act or the Exchange Act. While management believes limiting the forum is a benefit, shareholders could be inconvenienced by not being able to bring an action in another forum they find favorable.

A Delaware corporation is allowed to mandate in its corporate governance documents a chosen forum for the resolution of state law-based shareholder class actions, derivative suits and other intra-corporate disputes. Our management believes limiting state law-based claims to Delaware will provide the most appropriate outcomes as the risk of another forum misapplying Delaware law is avoided, Delaware courts have a well-developed body of case law and limiting the forum will preclude costly and duplicative litigation and avoids the risk of inconsistent outcomes. Additionally, Delaware Chancery Courts can typically resolve disputes on an accelerated schedule when compared to other forums.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the trading price of our Common Stock and trading volume could decline.

The trading market for our shares of our Common Stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. Securities and industry analysts do not currently, and may never, publish research on our shares of common stock. If no securities or industry analysts commence coverage of our company, the trading price for our shares of our stock would likely be negatively impacted. In the event securities or industry analysts initiate coverage, if one or more of the analysts who cover us downgrade our securities or publish inaccurate or unfavorable research about our business, the price of our shares of common stock would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our securities could decrease, which might cause the trading price of our shares of common stock and trading volume to decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters is located in Fountain Valley, California, and covers 28,000 square feet pursuant to an operating lease that expires in 2024 at a monthly rental of \$14,000. We also lease an additional 13,000 square foot warehouse facility in Fountain Valley pursuant to an operating lease that expires in 2024 at a monthly rental of \$11,000.

We lease all of our facilities and do not own any real property. We believe that our facilities are generally suitable to meet our current needs.

ITEM 3. 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 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 is listed on the NYSE American under the symbol "MITQ."

Holders

As of September 26, 2023, there were 12 holders of record of our Common Stock.

Dividends

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our shares of common stock will be your sole source of gain for the foreseeable future.

Issuer’s Purchases of Equity Securities

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. . For the year ended June 30, 2023, the Company repurchased a combined total of 272,620 share representing 2.55% of the 10,685,778 outstanding shares at the end of June 30, 2023 at an average price of \$1.111 per share.

During three months ended June 30, 2023, the Company repurchased 225,153 shares of the Company’s Common Stock, as follows:

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
May 1 - June 30, 2023	225,153	\$ 1.13	225,153	\$ 697,000
Total	225,153	\$ 1.13	225,153	\$ 697,000

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes our equity compensation plan information as of June 30, 2023. We have adopted a 2019 Omnibus Incentive Stock Plan (the “2019 Plan”) and on February 24, 2022, at the annual meeting, the stockholders of the Company approved an amendment increasing the number of stock-based awards available for issuance under the 2019 Plan from 750,000 shares to 1,500,000 shares. Further information about the 2019 Plan, refer to Item 11. “Executive Compensation - 2019 Omnibus Incentive Stock Plan.”

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price per share of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders	250,000	1.10	1,220,000
Equity compensation plans not approved by stockholders	—	—	—
Total	250,000	1.10	1,220,000

ITEM 6. RESERVED

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the accompanying consolidated financial statements and related notes included elsewhere in this Report. This discussion contains forward-looking statements reflecting our current expectations, whose actual outcomes involve risks and uncertainties. Actual results and the timing of events may differ materially from those stated in or implied by these forward-looking statements due to a number of factors, including those discussed in the sections entitled “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements”, and elsewhere in this Report.

Overview

We are a key 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.

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. As a result, the historical financial statements of MiT LLC and MiT Inc. for the year ended June 30, 2022 have been retroactively revised to reflect the consolidation of MiT, Inc. and MiT LLC. All inter-company transactions and balances between MiT Inc. and MiT, LLC have been eliminated.

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 June 30, 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 is dependent on a number of factors from our customers that are not in our control. Accordingly, backlog, the recognition 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 to 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, 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, and relying instead on a strategy of manufacturing or acquiring products based on orders placed by our customers.

In April 2022, the Company entered into an Asset Purchase Agreement with QSC, LLC to purchase an aggregate of \$1.5 million of inventory from QSC, LLC. This asset purchase agreement was not within the Company's normal policy of acquiring small amounts of inventory, however management viewed this purchase as a strategic opportunity to improve its gross margins and expand its strategy of enabling under-served communities to enjoy the movie going experience and as such entered into this transaction.

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

Year ended June 30, 2023 compared to year ended June 30, 2022

Net sales

Year Ended June 30,	
(in 000's)	
2023	2022
\$ 20,207	\$ 18,351

Net revenues increased 10.1% to \$20.21 million for the year ended June 30, 2023 from \$18.35 million for the prior fiscal year primarily due to the recovery from the impact of COVID-19 on the exhibition industry. Backlog at June 30, 2023 was approximately \$12.02 million, which represented orders currently planned to be shipped substantially by January 31, 2024. Backlog at June 30, 2022 was \$10.03 million. All open orders at June 30, 2022, except one for approximately \$0.2 million due to customer deferral, were fulfilled in the fiscal year 2023.

Gross Profit

Year Ended June 30,	
(in 000's)	
2023	2022
\$ 5,310	\$ 4,461

Gross profit increased 19.0% to \$5.31 million or by \$0.85 million for the year ended June 30, 2023 from \$4.46 million for the prior fiscal year. As a percentage of total revenues, gross margin increased to 26.3% for the year ended June 30, 2023 from 24.3% for the prior year. The increase in gross margin as a percentage of revenues was driven primarily by product mix, as higher margin parts and services revenues such as the QSC LLC purchases made up a larger percentage of total revenues.

Research and Development

Year Ended June 30,	
(in 000's)	
2023	2022
\$ 261	\$ 238

The increase in research and development expense was primarily associated with the impact of COVID-19 in 2022. We expect research and development expense and headcount to increase as a percentage of sales in the future as we continue to increase product development on our green product line, SaaS (software as a service) products, LED screen support systems, Caddy products, and others as our business expands into new areas.

Selling, General and Administrative Expense

Year Ended June 30,	
(in 000's)	
2023	2022
\$ 6,070	\$ 5,985

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2023 Selling, General and Administrative expense increased by a negligible \$85,000 or 1% compared to 2022 as the Company controlled its spending in 2023.

Impairment of Long Term Assets

Year Ended June 30,	
(in 000's)	
2023	2022
\$ 954	\$ —

During the year ended June 30, 2023 the Company impaired Goodwill, Intangible and Note Receivable assets totaling \$0.954 million. Due to a decline in Caddy revenues in the year ended 2023, the customer relations Intangible and Goodwill assets incurred an impairment charge. The Company incurred no impairment costs during the year ended June 30, 2022.

Interest and Other Expense/(Income)

Year Ended June 30,	
(in 000's)	
2023	2022
\$ (177)	\$ (417)

The Company realized investment income including dividends and interest earned in 2023 compared to investment losses in 2022. To reduce volatility in investments and assure stable returns, the Company liquidated its marketable securities portfolio in March 2023 and placed the proceeds into a savings account. In 2022, the \$(0.24) million unrealized loss was offset by \$(0.71) million in PPP loan forgiveness for a net \$(0.42) million.

Net Loss

Year Ended June 30,	
(in 000's)	
2023	2022
\$ (1,798)	\$ (1,345)

Net loss of \$(1.80) million for the year ended June 30, 2023 compared to a net loss of \$(1.35) million for the prior year increased by \$(0.45) million. This net loss increase was largely due to the 2023 \$(0.95) million Impairment of Long Term Assets, stock option expense of \$(0.27) million in 2023 offset by higher gross margin of \$0.85 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 meet our projected capital needs for the foreseeable future. On July 7, 2021, the Company completed an initial public offering resulting in net proceeds of approximately \$11.24 million. Our cash balance at June 30, 2023 was approximately \$6.62 million, as compared to \$2.34 million at June 30, 2022. Our short-term investments balance at June 30, 2023 was \$0.00 million compared to the \$4.36 million short-term investment balance at June 30, 2022 as the Company sold its investments in March 2023.

In response to uncertainties associated with the COVID-19 pandemic, we took significant steps to preserve cash and remain in a strong competitive position for when the crisis subsided. Throughout 2020 to 2022 the theatres reopened as soon as local restrictions and the status of the COVID-19 pandemic would allow. As of June 30, 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 has, 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.

Cash Flows from Operating Activities

Net cash provided by operating activities was \$0.27 million for year ended June 30, 2023 including the operating loss of \$(1.80) million. Other sources of cash provided included accounts receivable, recovery of bad debts, non-cash impairment and amortization expense, non-cash option expense, and a decline in prepaid expense totaling \$2.82 million. Other uses of cash included a realized loss on investments, inventory increases to support the increased sales and related increases in accounts payable and lease liability totaling \$(0.75) million. Net cash used in operating activities was \$3.39 million for the year ended June 30, 2022, due to the operating loss combined with, the non-cash gain on forgiveness of debt and net changes in working capital items of approximately \$0.20 million. The net change in working capital was primarily due to a decrease in accounts payable and prepaid and other, offset by a decrease in accounts receivable and an increase in customer deposits.

Cash Flows from Investing Activities

Net cash provided by investing activities was \$(4.31) million for the year ended June 30, 2023. This was comprised primarily of marketable securities investment sales. Net cash used by investing activities was \$(4.96) million for the year ended June 30, 2022 was comprised predominately of sales of marketable securities.

Cash Flows from Financing Activities

Net cash provided by financing activities was (\$0.30) million for the year ended June 30, 2023 due the stock buyback program. Net cash provided by financing activities of \$9.41 million for the year ended June 30, 2022 was due to proceeds received from the IPO, less payments on notes payable and our line of credit.

Financial Instruments and Credit Risk Concentrations

Our top ten customers accounted for approximately 37% and 48% of net revenues for the years ended June 30, 2023 and 2022, respectively. Trade accounts receivable from these customers represented approximately 19% and 48% of net receivables at June 30, 2023 and 2022, respectively. While we believe our relationships with such customers are stable, most arrangements are made by purchase order and are terminable at will by either party. We could also be adversely affected by such factors as changes in foreign currency rates and weak economic and political conditions in each of the countries in which we sell our products.

Financial instruments that potentially expose us to a concentration of credit risk principally consist of accounts receivable and notes receivable. We sell products to a large number of customers in many different geographic regions. To minimize credit concentration risk, we perform ongoing credit evaluations of our customers' financial condition or use letters of credit.

Off-Balance Sheet Arrangements and Contractual Obligations

Our contractual obligations consist principally of leasing equipment and facilities under operating leases. The future estimated payments under these arrangements are summarized below:

	(in 000's) Total Payments
Operating leases	
2024	302
2025	154
Total future lease payments	<u>\$ 456</u>

There were no other material contractual obligations other than inventory, property and production and computer equipment purchases in the ordinary course of business.

Seasonality

Our operating results can vary from quarter to quarter as a result of seasonality in consumer spending and payment patterns. A large part of our business is concerned with new theater builds, which often see substantial delays due to weather, but also financing timing, permits and governmental delays, and other unpredictable problems often associated with large real estate projects. Specifically, our revenue growth generally is higher during the first and fourth quarters of the fiscal year as the weather improves, the digital cinema market becomes more active and customers begin new theater builds or remodel projects. During these periods, we tend to experience increased transaction volume. Conversely, our revenue growth generally slows during the second quarter of the fiscal year, as spending on new theater construction and theater improvement projects tends to slow leading up to the holiday season and through the winter months. As a result, growth in transaction volume also tends to slow during these periods. We expect this seasonality to continue for the foreseeable future, which may cause fluctuations in our operating results and financial metrics. However, our seasonality trends may vary in the future as we introduce new products to new industry verticals and we become less concentrated in the new theater construction and improvement sector.

Inflation

We believe that the relatively moderate rates of inflation in recent years have not had a significant impact on our net revenues or profitability. During the fiscal year ended June 30, 2023, inflation increased to levels not seen since the 1980's. Historically, the Company has been able to offset any inflationary effects by either increasing prices or improving cost efficiencies and expects to do so in the future.

Recently Issued Accounting Pronouncements

See Note 1, Business Activity and Summary of Significant Accounting Policies, to the consolidated financial statements for a description of recently issued accounting pronouncements.

Critical Accounting Policies and Estimates

The following accounting policies involve judgments and estimates used in preparation of the financial statements. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the financial statements.

Our accounting policies are discussed in Note 1 to the financial statements in this Report. Management believes the following critical accounting policies reflect its more significant estimates and assumptions used in the preparation of the financial statements.

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 to a customer and when performance conditions are satisfied as per the agreement, in an amount that reflects the consideration that we expect to receive in exchange for those goods as per the agreement with the customer. We generate all our revenue from agreements with customers. In case there are agreements with multiple performance obligations, we identify each performance obligation and evaluate 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. We allocate the transaction price to each distinct performance obligation proportionately based on the estimated standalone selling price for each performance obligation and then evaluate 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).

Contract liabilities consist of refund 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.

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, collectively “deferred contract acquisition costs”, 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.

Inventory Valuation

Inventories are stated at the lower of cost (first-in, first-out) or net realizable value. Our policy is to evaluate all inventory quantities for amounts on-hand that are potentially in excess of estimated usage requirements, and to write down any excess quantities to estimated net realizable value. Inherent in the estimates of net realizable values are management’s estimates related to customer demand and the development of new technology, which could make our theater and digital media products obsolete, among other items.

Income Taxes

The Company utilizes an asset and liability approach for financial accounting and reporting for income taxes. The provisions 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 difference 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 difference are expected to reverse. The effects 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 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.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this item are set forth following Item 16 of this Report and are incorporated herein by reference.

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

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 June 30, 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 June 30, 2023 due to material weaknesses in our internal control over financial reporting as described below.

Limitations on Internal Control over Financial Reporting

An internal control system over financial reporting has inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f) and 15d-15(f). Internal control over financial reporting is a process used to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles in the United States. Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles in the United States, and that our receipts and expenditures are being made only in accordance with the authorization of our board of directors and management; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer and principal accounting officer), we performed an

assessment of the Company's significant processes and key controls. Based on this assessment, management concluded that our internal controls over financial reporting were not effective as of June 30, 2023 due to the material weaknesses described below.

A material weakness is defined within the Public Company Accounting Oversight Board's Auditing Standard No. 5 as a deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. We determined that our internal control over financial reporting had the following material weaknesses:

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 (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.

Changes in Internal Control over Financial Reporting

Other than as described below, during the quarter ended June 30, 2023, there have been no changes in our internal control 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.

Management's Plan for Remediation

To address identified material weaknesses, we have continued the process of instituting a number of accounting processes and procedures. The Company hired a seasoned financial executive consultant as Chief Financial Officer. The CFO has also undertaken the training of our senior and accounting personnel in the requirements of being a public company. The Company has engaged an external consulting source to assist in remediation.

The actions we have taken are subject to continued review, supported by confirmation and testing by management. While we have implemented a plan to remediate these weaknesses, there can be no assurance that we will be able to timely remediate these weaknesses, which could impair our ability to accurately and timely report our financial position, results of operations or cash flows.

Attestation Report

As an emerging growth company, the Company is not required to include in this report a report on the effectiveness of internal control over financial reporting by the Company's independent registered public accounting firm.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth the names, ages and titles of our directors, executive officers and key personnel:

Executive Officers and Directors:

Name	Age	Title
Executive Officers and Directors:		
Phil Rafnson	76	President, Chief Executive Officer and Chairman of the Board
Jose Delgado	60	Executive Vice President, Sales and Marketing
Bevan Wright	54	Executive Vice President, Operations
William Greene	67	Chief Financial Officer
Katherine D. Crothall, Ph.D.	74	Director
John C. Stiska	81	Director
Scott Anderson	69	Director
Key Personnel:		
David Richards	67	Senior Vice President, Engineering
Thomas Lipiec	60	Senior Vice President, Sales and Customer Service
Frank Tees	49	Vice President, Technical Sales & Support

Phil Rafnson has been our Chairman of the Board since the Company's founding in 2003 and became President and Chief Executive Officer in January 2021. Mr. Rafnson has been a major participant in the cinema equipment business for over 30 years going from a sound engineer for RCA Service Co. to National Sales Manager for Xetron Inc., to President and owner of Media Technology Source (MTS), one of the largest global cinema equipment distribution companies until he sold MTS in 1999. He has served as Board member of the International Theatre Equipment Association for 12 years and Officer and President of that association for more than 4 years. Mr. Rafnson's experience in the cinema equipment industry qualifies him to serve on our board of directors.

Jose Delgado has been our Executive Vice President, Sales and Marketing since the Company's founding in 2003. Prior to joining MiT, Mr. Delgado spent fifteen years at Christie Digital Systems in increasing positions of responsibility, as National Sales Manager, Director of Sales, and Vice President of Sales. During his tenure he increased by 10-fold the cinema presentation product sales of Christie, helping the company become a major force in the cinema industry. Previously he held various positions at JVC, including Sales Representative for video products for the Los Angeles and Las Vegas markets.

Bevan Wright is a Company founding partner and has been our Executive Vice President, Operations since the Company's founding in 2003. In the industry since 1985, Bevan spent ten years as Cinema Systems Product and Engineering Manager at Christie Digital Systems, directing product development and engineering support for all cinema product lines, managing the product lines to develop and bring to market fully-integrated solutions for cinema exhibitors. The previous nine years he held engineering and operations positions at Christie, United Artists, and with other cinema exhibitors. Mr. Wright has over 34 years of experience in the cinema industry in varying positions from operations to technical services and he holds the Bachelors of Science degree in Mechanical Engineering from Arizona State University, and two patents in cinema projection technology.

William F. Greene has been our Interim Chief Financial Officer since January 23, 2023 and following the passing of prior CFO Mike Sherman in November 2022. William Greene was appointed as full-time Chief Financial Officer effective April 20, 2023. Mr. Greene, is the founder of William Greene Consulting, established in 2001, which provides financial consulting services for private and public companies, preparing financial reports and providing comprehensive financial forecasting, CFO level strategy business planning and cash flow reviews, SEC compliance and investor relations management. Mr. Greene's experience includes serving as the chief financial officer for AscentX Medical Inc. from 2015 to 2017, serving as a consultant to the chief financial officer of Pepperball Technologies, Inc. from 2009 to 2010, and serving as the chief financial officer for Surge Global Energy from 2006 to 2008. Mr. Greene holds a Bachelor of Science degree in Business Administration with a focus on accounting from California State University Dominguez Hills.

Katherine D. Crothall, Ph.D. became a Director in July 2021. Ms. Crothall has been the Chairman, Chief Executive Officer and President of Aspire Bariatrics, Inc. ("Aspire") since November 2010. Prior to Aspire, Dr. Crothall served as a Principal of Liberty

Venture Partners, Inc. from 2006 to November 2010. Prior to Liberty, she founded Animas Corporation in 1996 and served as its Chairman, President, Chief Executive Officer, led its \$69 million IPO in 2004, and sold it to Johnson and Johnson in 2006. From October 1988 to September 1993, Dr. Crothall served as President and Chief Executive Officer of Luxar Corporation, which she founded in 1988, sold and manufactured CO2 lasers for cosmetic, oral, surgical, dental, dermatological and surgical applications. Dr. Crothall founded Laakmann Electro-Optics, which manufactured and marketed CO2 lasers and was sold to Johnson & Johnson in 1981. She was employed as an engineer at Hughes Aircraft from 1971 to 1978. She has been an Independent Director of Valeritas Holdings, Inc. since October 10, 2016. Dr. Crothall is a director of Adhezion BioMedical and a former Director of Xanitos, Inc. She served as a former Director of Othera Pharmaceuticals Inc., Intact Vascular, Inc., and Lungpacer, Inc. Dr. Crothall served as a Director of Animas Corp. since 1996 until its sale to J&J in 2006. She holds over 20 patents and is the recipient of several awards including the Ernst & Young Entrepreneur of the Year Award in 2003 and the Greater Philadelphia Raymond Rafferty Entrepreneurial Excellence Award in 2004. She has authored numerous technical papers and has given numerous papers at scientific/medical symposiums. Dr. Crothall holds a B.S. in Electrical Engineering from the University of Pennsylvania and Master of Science and a Ph.D. in Electrical Engineering from the University of Southern California. Dr. Crothall's extensive experience in public company finance and acquisition experience qualifies her to serve on our board of directors.

John C. Stiska became a Director in July 2021. Since 2005, Mr. Stiska has been the principal of Regent Partners, a merchant banking firm, and was a Senior Advisor to Agility Capital, LLC, a venture lending fund from 2007 to 2013; prior to that he was Chairman of Commercial Bridge Capital, LLC, also a venture lending fund. Over the past two decades, John Stiska has served as a CEO, Chairman, Director and investor in more than thirty private and public companies. Underlying his extensive, twenty-year business leadership and development experience, and service on numerous Boards of Directors, John was a practicing Corporate and Securities partner at Brobeck, Phleger & Harrison, and of Counsel at Latham & Watkins. He also taught Securities Regulation as an Adjunct Professor of Law at the University of San Diego School of Law. He started his career and became a partner at Luce, Forward, Hamilton & Scripps, before being one of the founding partners of Aylward, Kintz, Stiska, Wassenaar and Shannahan, which merged into and became the San Diego Office of the Brobeck Firm, shortly after which time he joined Intermark, Inc. as President, and subsequently took Intermark, Inc. and its majority owned company Triton Group Ltd through an extensive Chapter 7 reorganization and refinancing, emerging as a successfully restructured public company, Triton Group Ltd. Mr. Stiska received a B.A. in Accounting, BBA, in 1965 and a J.D. from the University of Wisconsin in 1970. Mr. Stiska's extensive experience in public company finance and related corporate matters qualifies him to serve on our board of directors.

Scott Lloyd Anderson, J.D., CPA became a Director in July 2021. Mr. Anderson practiced with KPMG as a tax CPA in the early 1980s and since 1983 has practiced as an attorney representing businesses and their respective owners. Mr. Anderson is a shareholder at the law firm of Fabyanske, Westra, Hart & Thomson, P.A., which he joined in 1985. Mr. Anderson was on the board of directors of the firm from 1988 through 2014 and was elected president of the firm over four different time frames. Over the last 30 years, Mr. Anderson has structured, negotiated and closed over 200 merger and acquisition transactions of privately held companies ranging in transaction value from a few million to over a billion dollars. Mr. Anderson has been on the board of directors of various construction companies and is a principal owner, director and officer of a safety engineering company, a small investment company and a small oil and gas company. Mr. Anderson also assisted with the initial organization of the Company in 2003. Mr. Anderson has a B.A. in Business Administration from Augsburg University located in Minneapolis, Minnesota and a J.D. from William Mitchell College of Law located in St. Paul, Minnesota. Mr. Anderson also taught accounting and business law at Augsburg University. Mr. Anderson's extensive experience in finance and acquisition transactions and prior accounting experience qualifies him to serve on our board of directors.

Key Personnel:

David Richards has been our Senior Vice President, Engineering since the Company's founding in 2003. Mr. Richards has nineteen years of experience in the cinema industry. He spent five years in engineering and engineering management positions at Christie. He has been active in SMPTE for the past eighteen years, and presently serves on several of the SMPTE DC28 digital cinema committees as well as the Film Technology committee and Projection Technology committee. Mr. Richards is past chair of the SMPTE Hollywood section ('96 – '97), and was Program Chair for the first and second SMPTE Film Conferences, held in 1997 and 1998. He is the author of several SMPTE papers and articles for various trade publications. He has a background in mechanical, electronic and electrical engineering design.

Thomas Lipiec has been our Senior Vice President, Sales & Customer Service since shortly after the Company's founding in 2003. Mr. Lipiec has over 32 years of professional experience in the cinema industry. Mr. Lipiec's career began by occupying several

positions at various cinema exhibitors. He later obtained engineering positions at Lucasfilm/THX and was the Director of the post-production division of THX Ltd. Additionally, he was the Vice President of Business Development at Constellation 3D. Mr. Lipiec's involvement with Lucasfilm included collaborations with Skywalker Sound and ILM, etc. These specific technical efforts gained him 2 movie credits for Star Wars: Episode I and Star Wars: Episode II (D.C. & DVD).

Frank Tees has been our Vice President, Technical Sales & Support since 2011. Mr. Tees started his cinema career in 1989, serving in most aspects of theater exhibition with Krikorian Premiere Theaters. He spent the past 15 years with the world's largest exhibitor, Regal Entertainment Group, and since 2002 has been Director of Technical Services for the Southwest Region. He managed a team of technicians in preparation, installation and service of film and digital cinema equipment for 1000 screens in Southern California, Hawaii, Nevada and Arizona. Mr. Tees has extensive training on 3D and standard DLP and Sony projection systems and practical experience installing them in an integrated and networked environment. Mr. Tees also managed Regal's technical training program and developed preventative maintenance and tracking guidelines to service systems according to their warranty.

Family Relationships

There are no family relationships among any of our executive officers or directors.

Board Leadership Structure

Our board of directors does not have a policy on whether or not the role of the Chief Executive Officer and Chairman should be separate or, if it is to be separate, whether the Chairman should be selected from the non-employee directors or be an employee. Currently, we operate with Mr. Rafnson serving as our Chairman and our Chief Executive Officer. We currently believe that Mr. Rafnson serving in both capacities best serves the Company and suits the talents, expertise and experience that Mr. Rafnson brings to the Company.

Committees of the Board of Directors

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee, each of which operates pursuant to a charter adopted by our board of directors. The board of directors may also establish other committees from time to time to assist our company and the board of directors. The composition and functioning of all of our committees comply with all applicable requirements of the Sarbanes-Oxley Act of 2002, NYSE American and SEC rules and regulations, as applicable. Each committee's charter is available on our website at www.movingimagnetech.com. The reference to our website address does not constitute incorporation by reference of the information contained at or available through our website, and you should not consider it to be part of this Report.

Audit committee

John C. Stiska, Katherine D. Crothall, Ph.D. and Scott Lloyd Anderson serve on the audit committee, which is chaired by John C. Stiska. Our board of directors has determined that each are "independent" for audit committee purposes as that term is defined by the rules of the SEC and NYSE, and that each has sufficient knowledge in financial and auditing matters to serve on the audit committee. Our board of directors has designated John C. Stiska as an "audit committee financial expert," as defined under the applicable rules of the SEC. The audit committee's responsibilities include:

- appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firm;
- pre-approving auditing and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;
- reviewing the overall audit plan with our independent registered public accounting firm and members of management responsible for preparing our financial statements;

- reviewing and discussing with management and our independent registered public accounting firm our annual and quarterly financial statements and related disclosures as well as critical accounting policies and practices used by us;
- coordinating the oversight and reviewing the adequacy of our internal control over financial reporting;
- establishing policies and procedures for the receipt and retention of accounting-related complaints and concerns;
- recommending, based upon the audit committee’s review and discussions with management and our independent registered public accounting firm, whether our audited financial statements shall be included in our Annual Report on Form 10-K;
- monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters;
- preparing the audit committee report required by SEC rules to be included in our annual proxy statement;
- reviewing all related person transactions for potential conflict of interest situations and approving all such transactions; and
- reviewing quarterly earnings releases.

Compensation committee

John C. Stiska, Katherine D. Crothall, Ph.D. and Scott Lloyd Anderson serve on the compensation committee, which is chaired by Katherine D. Crothall, Ph.D. Our board of directors has determined that each member of the compensation is “independent” as defined in the applicable NYSE American rules. The compensation committee’s responsibilities include:

- annually reviewing and recommending to the board of directors the corporate goals and objectives relevant to the compensation of our Chief Executive Officer;
- evaluating the performance of our Chief Executive Officer in light of such corporate goals and objectives and based on such evaluation: (i) recommending to the board of directors the cash compensation of our Chief Executive Officer, and (ii) reviewing and approving grants and awards to our Chief Executive Officer under equity-based plans;
- reviewing and recommending to the board of directors the cash compensation of our other executive officers;
- reviewing and establishing our overall management compensation, philosophy and policy;
- overseeing and administering our compensation and similar plans;
- reviewing and approving the retention or termination of any consulting firm or outside advisor to assist in the evaluation of compensation matters and evaluating and assessing potential and current compensation advisors in accordance with the independence standards identified in the applicable NYSE American rules;
- retaining and approving the compensation of any compensation advisors;
- reviewing and approving our policies and procedures for the grant of equity-based awards;
- reviewing and recommending to the board of directors the compensation of our directors; and

- preparing the compensation committee report required by SEC rules, if and when required, to be included in our annual proxy statement.

None of the members of our compensation committee has at any time during the prior three years been one of our officers or employees. None of our executive officers currently serves, or in the past fiscal year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

Nominating and corporate governance committee

John C. Stiska, Katherine D. Crothall, Ph.D. and Scott Lloyd Anderson serve on the nominating and corporate governance committee, which is chaired by Scott Lloyd Anderson. Our board of directors has determined that each member of the nominating and corporate governance committee is “independent” as defined in the applicable NYSE American rules. The nominating and corporate governance committee’s responsibilities include:

- developing and recommending to the board of directors’ criteria for board and committee membership;
- establishing procedures for identifying and evaluating board of director candidates, including nominees recommended by stockholders;
- reviewing the composition of the board of directors to ensure that it is composed of members containing the appropriate skills and expertise to advise us;
- identifying individuals qualified to become members of the board of directors;
- recommending to the board of directors the persons to be nominated for election as directors and to each of the board’s committees;
- reviewing and recommending to the board of directors’ appropriate corporate governance guidelines; and
- overseeing the evaluation of our board of directors.

Code of business conduct and ethics

We have adopted a written code of business conduct and ethics that applies to our directors, officers, and employees, including our principal executive officer, principal financial officer, principal accounting officer, or controller, or persons performing similar functions. A current copy of this code is posted on the Corporate Governance section of our website, which is located at www.movingimagetech.com. The information on our website is deemed not to be incorporated in this Report or to be a part of this Report. If we make any substantive amendments to, or grant any waivers from, the code of business conduct and ethics for any officer or director, we will disclose the nature of such amendment or waiver on our website or in a current report on Form 8-K.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires our directors, executive officers, and the persons who beneficially own more than ten percent of our Common Stock, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Copies of all filed reports are required to be furnished to us. Based solely on the reports received by us and on the representations of the reporting persons, we believe that our directors and executive officers complied with all applicable filing requirements during the fiscal year ended June 30, 2023, except that William Greene did not timely file a Form 3 and a Form 4 reporting for one transaction and each of John C. Stiska, Katherine D. Crothall, Ph.D. and Scott Lloyd Anderson did not timely file a Form 4 for one option award and one stock award.

Further, based solely on the reports received by us and on the representations of the reporting persons, we believe each greater than ten percent holder complied with all applicable filing requirements during the fiscal year ended June 30, 2023.

ITEM 11. EXECUTIVE COMPENSATION**Compensation of Named Executive Officers**

The summary compensation table below shows certain compensation information for services rendered in all capacities for the fiscal years ended June 30, 2023 and 2022. Other than as set forth herein, no executive officer's salary and bonus exceeded \$100,000 in any of the applicable years. The following information includes the dollar value of base salaries, bonus awards, the number of stock options granted and certain other compensation, if any, whether paid or deferred.

<u>Name and Principal Position</u>	<u>Fiscal Year</u>	<u>Salary (\$)</u>	<u>Bonus (\$)</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
Philip Rafnson(1)	2023	\$ 176,600	\$ —	\$ —	\$ 176,600
President and Chief Executive Officer	2022	\$ 156,000	\$ —	\$ 50,000 (1)	\$ 206,000
Jose Delgado	2023	\$ 233,730	\$ 23,373	—	\$ 257,103
Executive Vice President, Sales and Marketing	2022	\$ 235,392	\$ 30,000	—	\$ 265,392
Bevan Wright	2023	\$ 233,730	\$ 23,373	—	\$ 257,103
Executive Vice President, Operations	2022	\$ 235,392	\$ 30,000	—	\$ 265,392

(1) In July 2021, the Company paid a discretionary \$50,000 in relation to providing personal guarantees for debt financing.

Employment Agreements

We currently do not maintain any employment, severance or change in control agreements with our named executive officers. In addition, our named executive officers are not entitled to any payments or other benefits in connection with a termination of employment or a change in control.

Outstanding Equity Awards at Fiscal Year-End

There were no equity awards outstanding for any named executive officer as of June 30, 2022.

The Board granted CFO William Greene 100,000 options with an exercise price of \$1.10 with 25% vesting immediately and the remainder vesting at 25% per year thereafter.

2019 Incentive Stock Plan

We have adopted a 2019 Omnibus Incentive Stock Plan (the "Plan"). On February 14, 2022, our stockholders approved an amendment increasing the number of stock-based awards available for issuance under the Company's Plan from 750,000 shares to 1,500,000 shares. At June 30, 2023, an aggregate of 1,150,000 shares of our Common Stock are reserved for issuance and available for awards under the Plan, including incentive stock options granted under the Plan. The Plan administrator may grant awards to any employee, director, consultant or other person providing services to us or our affiliates.

The Plan is administered by the Compensation Committee of the Board. The Plan administrator has the authority to determine, within the limits of the express provisions of the Plan, the individuals to whom awards will be granted, the nature, amount and terms of such awards and the objectives and conditions for earning such awards. The Board may at any time amend or terminate the Plan, provided that no such action may be taken that adversely affects any rights or obligations with respect to any awards previously made under the Plan without the consent of the recipient. No awards may be made under the Plan after the tenth anniversary of its effective date.

Awards under the Plan may include incentive stock options, nonqualified stock options, stock appreciation rights (“SARs”), restricted shares of common stock, restricted stock Units, performance share or Unit awards, other stock-based awards and cash-based incentive awards.

Stock Options. The Plan administrator may grant to a participant options to purchase our Common Stock that qualify as incentive stock options for purposes of Section 422 of the Internal Revenue Code (“incentive stock options”), options that do not qualify as incentive stock options (“non-qualified stock options”) or a combination thereof. The terms and conditions of stock option grants, including the quantity, price, vesting periods, and other conditions on exercise will be determined by the Plan administrator. The exercise price for stock options will be determined by the Plan administrator in its discretion, but non-qualified stock options and incentive stock options may not be less than 100% of the fair market value of one share of our company’s Common Stock on the date when the stock option is granted. Additionally, in the case of incentive stock options granted to a holder of more than 10% of the total combined voting power of all classes of our stock on the date of grant, the exercise price may not be less than 110% of the fair market value of one share of Common Stock on the date the stock option is granted. Stock options must be exercised within a period fixed by the Plan administrator that may not exceed ten years from the date of grant, except that in the case of incentive stock options granted to a holder of more than 10% of the total combined voting power of all classes of our stock on the date of grant, the exercise period may not exceed five years. At the Plan administrator’s discretion, payment for shares of Common Stock on the exercise of stock options may be made in cash, shares of our Common Stock held by the participant or in any other form of consideration acceptable to the Plan administrator (including one or more forms of “cashless” or “net” exercise).

Stock Appreciation Rights. The Plan administrator may grant to a participant an award of SARs, which entitles the participant to receive, upon its exercise, a payment equal to (i) the excess of the fair market value of a share of Common Stock on the exercise date over the SAR exercise price, times (ii) the number of shares of common stock with respect to which the SAR is exercised. The exercise price for a SAR will be determined by the Plan administrator in its discretion; provided, however, that in no event shall the exercise price be less than the fair market value of our common stock on the date of grant.

Restricted Shares and Restricted Units. The Plan administrator may award to a participant shares of Common Stock subject to specified restrictions (“restricted shares”). Restricted shares are subject to forfeiture if the participant does not meet certain conditions such as continued employment over a specified forfeiture period and/or the attainment of specified performance targets over the forfeiture period. The Plan administrator also may award to a participant Units representing the right to receive shares of Common Stock in the future subject to the achievement of one or more goals relating to the completion of service by the participant and/or the achievement of performance or other objectives (“restricted Units”). The terms and conditions of restricted share and restricted Unit awards are determined by the Plan administrator.

Performance Awards. The Plan administrator may grant performance awards to participants under such terms and conditions as the Plan administrator deems appropriate. A performance award entitles a participant to receive a payment from us, the amount of which is based upon the attainment of predetermined performance targets over a specified award period. Performance awards may be paid in cash, shares of Common Stock or a combination thereof, as determined by the Plan administrator.

Other Stock-Based Awards. The Plan administrator may grant equity-based or equity-related awards, referred to as “other stock-based awards,” other than options, SARs, restricted shares, restricted Units, or performance awards. The terms and conditions of each other stock-based award will be determined by the Plan administrator. Payment under any other stock-based awards will be made in Common Stock or cash, as determined by the Plan administrator.

Cash-Based Awards. The Plan administrator may grant cash-based incentive compensation awards, which would include performance-based annual cash incentive compensation to be paid to covered employees subject to Section 162(m) of the Code. The terms and conditions of each cash-based award will be determined by the Plan administrator.

Compensation of Directors

Our board of directors believes that a significant portion of the total compensation package for our non-employee directors should be equity-based to align the interest of these directors with our stockholders. Directors who are also our employees do not receive any additional compensation for their service on our board of directors.

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The following table sets forth all compensation paid to or earned by each non-employee director of the Company during the fiscal year ended June 30, 2023.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$) ⁽¹⁾⁽²⁾	Stock Awards (\$) ⁽³⁾	Total (\$)
Katherine D. Crothall, Ph.D.	\$ 8,400	\$ 55,000	\$ 11,000	\$ 74,400
John C. Stiska	\$ 30,800	\$ 55,000	\$ 11,000	\$ 96,800
Scott Anderson	\$ 79,376	\$ 55,000	\$ 11,000	\$ 145,376

- (1) The amounts disclosed above reflect the full grant date fair values in accordance with FASB ASC Topic 718. See “Note 1 - Business Activity And Summary Of Significant Accounting Policies” to our consolidated financial statements for the year ended June 30, 2023.
- (2) 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.
- (3) On May 26, 2023, the Board of Directors granted 30,000 shares consisting of 10,000 shares each to John Stiska, Katherine Crothall and Scott Anderson at a price of \$1.10. The Company recorded \$33,000 in stock compensation expense.

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

The following table sets forth information regarding beneficial ownership of our capital stock by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our Common Stock;
- each of our named executive officers;
- each of our directors; and
- all of our current executive officers and directors a group.

Applicable percentage ownership is based on 10,685,778 shares of Common Stock outstanding at September 22, 2023.

The information presented below regarding beneficial ownership of our voting securities has been presented in accordance with the rules of the Commission and is not necessarily indicative of ownership for any other purpose. Under these rules, a person is deemed to be a “beneficial owner” of a security if that person has or shares the power to vote or direct the voting of the security or the power to dispose or direct the disposition of the security. A person is deemed to own beneficially any security as to which such person has the right to acquire sole or shared voting or investment power within sixty (60) days through the conversion or exercise of any convertible security, warrant, option, or other right. More than one (1) person may be deemed to be a beneficial owner of the same securities. The percentage of beneficial ownership by any person as of a particular date is calculated by dividing the number of shares beneficially owned by such person, which includes the number of shares as to which such person has the right to acquire voting or investment power within sixty (60) days, by the sum of the number of shares outstanding as of such date. Consequently, the denominator used for calculating such percentage may be different for each beneficial owner. Except as otherwise indicated below and under applicable community property laws, we believe that the beneficial owners of our Common Stock listed below have sole voting and investment power with respect to the shares shown.

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Unless otherwise noted below, the address of each person listed on the table is c/o Moving iMage Technologies, Inc., 17760 Newhope Street, Fountain Valley, CA 92708.

Name of Beneficial Owner	Shares Beneficially Owned	
	Shares	%
Named Executive Officers and Directors		
Phil Rafnson	2,074,828 (1)	19.4% %
Bevan Wright	600,630	5.6
Jose Delgado	511,503	4.8
William Greene	100,000 (2)	*
Katherine D. Crothall, Ph.D.	66,667 (3)	*
John C. Stiska	50,000 (2)	*
Scott Anderson	50,000 (2)	*
All executive officers, directors as a group (7 persons)	3,453,628	31.6 %

* Indicates ownership of less than 1%

- (1) Represents shares held by Sound Management Investors, LLC, an entity wholly-owned and controlled by Mr. Rafnson.
- (2) Represents shares underlying stock options.
- (3) Includes option to purchase 50,000 shares of common stock.
- (4) The table amounts exclude 10,000 shares of stock each for Katherine D. Crothall, John C. Stiska and Scott Anderson that have been granted but not yet issued.

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

All amounts due to Caddy by the Company further to the acquisition of Caddy were personally guaranteed by Phil Rafnson, our Chairman of the Board. In July 2021, the Company provided a discretionary \$50,000 payment to the Company's CEO and Chairman of the Board of Directors in relation to these personal guarantees provided in conjunction with financing Company debt. See Note 9 - Debt of the Notes to the Company's Consolidated Financial Statements.

We have agreed to indemnify, defend and hold harmless the members of Moving iMage Technologies LLC from any taxes which may at any time be asserted with respect to the Share Exchange.

Director and Officer Indemnification and Insurance

We have entered into indemnification agreements with each of our directors and executive officers. These agreements, among other things, require us or will require us to indemnify each director (and in certain cases their related venture capital funds) and executive officer to the fullest extent permitted by Delaware law, including indemnification of expenses such as attorneys' fees, judgments, fines and settlement amounts incurred by the director or executive officer in any action or proceeding, including any action or proceeding by or in right of us, arising out of the person's services as a director or executive officer.

Our amended and restated certificate of incorporation and our amended and restated bylaws provide that we will indemnify each of our directors and officers to the fullest extent permitted by the DGCL. We also have purchased a policy of directors' and officers' liability insurance that will insure our directors and officers against the cost of defense, settlement or payment of a judgment under certain circumstances.

Policies and Procedures Regarding Related Party Transactions

Our board of directors has adopted a written related person transaction policy setting forth the policies and procedures for the review and approval or ratification of related-person transactions. This policy covers, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction, arrangement or relationship, or any series of similar transactions,

arrangements or relationships in which we were or are to be a participant, where the amount involved exceeds \$120,000 and a related person had or will have a direct or indirect material interest, including, without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related person. In reviewing and approving any such transactions, our audit committee will be tasked to consider all relevant facts and circumstances, including, but not limited to, whether the transaction is on terms comparable to those that could be obtained in an arm's length transaction and the extent of the related person's interest in the transaction. All of the transactions described in this section occurred prior to the adoption of any related party transactions policy.

A "related person" means:

- any person who is, or at any time during the applicable period was, one of our executive officers or one of our directors;
- any person who is known by us to be the beneficial owner of more than 5% of our Common Stock;
- any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of a director, executive officer or a beneficial owner of more than 5% of our Common Stock, and any person (other than a tenant or employee) sharing the household of such director, executive officer or beneficial owner of more than 5% of our Common Stock; or
- any firm, corporation or other entity in which any of the foregoing persons is a partner or principal or in a similar position or in which such person has a 10% or greater beneficial ownership interest.

Director Independence

We are listed on the NYSE American and accordingly, we have applied the listing standards of the NYSE American in determining the "independence" of the members of our Board of Directors. Based on the listing standards of the NYSE American and after reviewing the relationships with members of our Board, our Board of Directors has determined that Katherine D. Crothall, Ph.D., John C. Stiska, and Scott Lloyd Anderson qualify as independent directors. The nominating and governance committee reviews with the Board at least annually the qualifications of new and existing Board members, considering the level of independence of individual members, together with such other factors as the Board may deem appropriate, including overall skills and experience. The nominating and governance committee also evaluates the composition of the Board as a whole and each of its committees to ensure the Company's on-going compliance with the independence standards of the NYSE American.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

CohnReznick LLP (“CohnReznick”) served as our independent registered public accounting firm from 2018 until April 12, 2022. CohnReznick’s last completed review of the Company’s consolidated financial statements was for the quarter ended December 31, 2021. On April 21, 2022, the Company engaged Haskell & White LLP (“H&W”) as our independent registered public accounting firm to review the Company’s consolidated financial statements for the quarter ended March 31, 2022 and to audit the Company’s financial statements for the year ended June 30, 2023. H&W’s address is 300 Spectrum Center Drive, Suite 300, Irvine, CA 92618 and its PCAOB firm ID number is 200.

The following table provides information regarding the fees billed to us by CohnReznick and H&W in the fiscal years ended June 30, 2023 and 2022. All fees described below were approved by the Audit Committee:

	For the fiscal years ended June 30	
	2023	2022
Audit Fees - CohnReznick (1)	\$ 39,375	\$ 301,943
Audit Fees – H&W (1)	200,645	35,000
Audit Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total Fees:	<u>\$ 240,020</u>	<u>\$ 336,943</u>

- (1) Audit fees includes fees associated with the annual audits of our financial statements, quarterly reviews of our financial statements, and services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

The financial statements have been included in Item 8 above and are set forth following Item 16 of this Report.

(a)(2) Financial Statement Schedules

Schedules have been omitted because they are not applicable, not material or because the information is included in the consolidated financial statements or the notes thereto.

(a)(3) Exhibits

The exhibits are incorporated by reference from the Exhibit Index attached hereto.

ITEM 16. FORM 10-K SUMMARY

None.

MOVING IMAGE TECHNOLOGIES, INC.

FINANCIAL STATEMENTS

June 30, 2023 and 2022

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Moving iMage Technologies, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Moving iMage Technologies, Inc. (the “Company”) as of June 30, 2023 and 2022, the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the years then ended, and the related notes (collectively, the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2023 and 2022, and the consolidated results of its operations and its cash flows for each of the years then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated 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 audits to obtain reasonable assurance about whether the consolidated 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 risks of material misstatement of the consolidated 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 consolidated 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 combined financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Haskell & White LLP
HASKELL & WHITE LLP

We have served as the Company’s auditor since 2022.

Irvine, California
September 27, 2023

MOVING IMAGE TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30,	
	2023	2022
Assets		
Current Assets:		
Cash	\$ 6,616	\$ 2,340
Marketable securities - current	—	4,363
Accounts receivable, net	905	1,762
Inventories, net	4,419	4,033
Prepaid expenses and other	451	864
Total Current Assets	12,391	13,362
Long-Term Assets:		
Marketable securities – long-term	—	325
Right-of-use asset	415	—
Property and equipment, net	28	22
Intangibles, net	480	839
Goodwill	—	287
Other assets	16	16
Total Long-Term Assets	939	1,489
Total Assets	\$ 13,330	\$ 14,851
Liabilities And Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 1,507	\$ 1,583
Accrued expenses	618	655
Customer deposits	3,169	3,158
Lease liability–current	280	—
Unearned warranty revenue	26	18
Total Current Liabilities	5,600	5,414
Long-Term Liabilities:		
Lease liability–non-current	151	—
Deferred rent	—	22
Total Long-Term Liabilities	151	22
Total Liabilities	5,751	5,436
Stockholders' Equity		
Common stock, \$0.00001 par value, 100,000,000 shares authorized, 10,685,778 and 10,828,398 shares issued and outstanding at June 30, 2023 and 2022, respectively	—	—
Additional paid-in capital	12,462	12,500
Accumulated deficit	(4,883)	(3,085)
Total Stockholders' Equity	7,579	9,415
Total Liabilities and Stockholders' Equity	\$ 13,330	\$ 14,851

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

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

	Year Ended June 30, 2023	Year Ended June 30, 2022
Net sales	\$ 20,207	\$ 18,351
Cost of goods sold	14,897	13,890
Gross profit	<u>5,310</u>	<u>4,461</u>
Operating expenses:		
Research and development	261	238
Selling and marketing	2,630	2,389
General and administrative	3,440	3,596
Impairment of long-term assets	954	—
Total operating expenses	<u>7,285</u>	<u>6,223</u>
Operating loss	<u>(1,975)</u>	<u>(1,762)</u>
Other expenses (income)		
Unrealized loss on marketable securities	—	242
Realized (gain)/loss on marketable securities	(38)	6
PPP loan forgiveness	—	(705)
Interest expense and other income, net	(139)	40
Total other expense (income)	<u>(177)</u>	<u>(417)</u>
Net loss	<u>\$ (1,798)</u>	<u>\$ (1,345)</u>
Weighted average shares outstanding: basic and diluted (Note 5)	<u>10,922,710</u>	<u>10,577,994</u>
Net loss per common share basic and diluted	<u>\$ (0.16)</u>	<u>\$ (0.13)</u>

*See Note 3

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

MOVING IMAGE TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

(in thousands except share amounts)

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balance as of June 30, 2021	5,666,667	\$ —	\$ 1,011	\$ (1,740)	\$ (729)
Shares of common stock issued for cash in IPO, net of issuance costs	4,830,000	—	11,244	—	11,244
Cashless exercise of warrants	139,611	—	—	—	—
Cashless exercise of underwriter warrants	192,120	—	—	—	—
Grant of options for services	—	—	245	—	245
Net loss	—	—	—	(1,345)	(1,345)
Balance as of June 30, 2022	10,828,398	\$ —	\$ 12,500	\$ (3,085)	\$ 9,415
Issuance of stock to employees	130,000	—	153	—	153
Grant of options to officer and board members	—	—	113	—	113
Share buyback and cancellation	(272,620)	—	(304)	—	(304)
Net loss	—	—	—	(1,799)	(1,799)
Balance as of June 30, 2023	<u>10,685,778</u>	<u>\$ —</u>	<u>\$ 12,462</u>	<u>\$ (4,883)</u>	<u>\$ 7,579</u>

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

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

	Year Ended June 30, 2023	Year Ended June 30, 2022
Cash flows from operating activities:		
Net loss	\$ (1,798)	\$ (1,345)
Adjustments to reconcile net loss to net cash used in operating activities:		
PPP loan forgiveness	—	(705)
Provision for doubtful accounts	389	(218)
Depreciation expense	9	19
Amortization expense	96	96
Impairment expense	550	—
ROU amortization	244	(3)
Stock option compensation expense	146	245
Unrealized loss on investments	—	242
Realized (gain) loss on investments	(38)	6
Changes in operating assets and liabilities		
Accounts receivable	868	(1,090)
Inventories, net	(386)	(2,499)
Prepaid expenses and other	413	348
Accounts payable	(76)	(328)
Accrued expenses	83	42
Unearned warranty revenue	8	(16)
Customer deposits	11	1,819
Lease liabilities	(250)	—
Net cash provided by operating activities	<u>269</u>	<u>(3,387)</u>
Cash flows from investing activities		
Sales of marketable securities	12,395	641
Purchases of marketable securities	(7,669)	(5,577)
Purchases of property and equipment	(15)	(20)
Advances on notes receivable	(400)	—
Net cash provided by (used in) investing activities	<u>4,311</u>	<u>(4,956)</u>
Cash flows from financing activities		
Net proceeds from initial public offering	—	11,244
Payments on notes payable	—	(1,241)
Payments on line of credit	—	(590)
Stock Buyback	(304)	—
Net cash provided by (used in) financing activities	<u>(304)</u>	<u>9,413</u>
Net increase in cash	4,276	1,070
Cash, beginning of the year	<u>2,340</u>	<u>1,270</u>
Cash, end of the year	<u>\$ 6,616</u>	<u>\$ 2,340</u>
Non-cash investing and financing activities:		
Issuance of stock to employees	\$ (153)	\$ —
Right-of-use assets from ASC842 adoption	\$ 681	\$ —
Reclassification of IPO related costs from other assets to equity	\$ —	\$ 1,116
Cash paid during the period:		
Interest	\$ —	\$ 40

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

MOVING IMAGE TECHNOLOGIES, INC.

NOTES TO 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. 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. As a result, the historical financial statements of MiT LLC and MiT Inc. for the year ended June 30, 2022 have been retroactively revised to reflect the consolidation of MiT Inc. and MiT LLC. All inter-company transactions and balances between MiT Inc. and MiT LLC have been eliminated.

The consolidated statements of stockholders’ equity for the years ended June 30, 2022 have been retroactively revised to give effect of the change in reporting entity accounting of MiT Inc. and MiT LLC.

Initial Public Offering: On July 12, 2021, the Company closed its initial public offering (“IPO”) 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. Upon the completion of its IPO, the Company reclassified deferred IPO related costs of approximately \$1,116,000 from other assets to additional paid-in capital. In connection with the Company’s IPO, the underwriters received warrants to acquire 241,500 shares of the Company’s common stock at \$3.75 per share.

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.

In April 2022, underwriter warrants were exercised on a cashless basis resulting in the issuance of 192,120 shares of common stock.

MOVING IMAGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

Through 2020 and 2022 the theatres reopened as soon as local restrictions and the status of the COVID-19 pandemic would allow. As of June 30, 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 has, and 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 consolidated financial statements include the accounts of MiT Inc., its wholly-owned subsidiary, Moving iImage Technologies, LLC ("MiT LLC"), and MiT LLC's wholly-owned subsidiary, Moving iImage 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").

Segment Reporting: An operating segment, in part, is a component of an enterprise whose operating results are regularly reviewed by the chief operating decision maker (the "CODM") to make decisions about resources to be allocated to the segment and assess its performance. Operating segments may be aggregated only to a limited extent. The Company's CODM reviews financial information presented on a consolidated basis, accompanied by disaggregated information about revenues for purposes of making operating decisions and assessing financial performance. The Company has determined that it has a single operating and reportable segment.

Measurement of Fair Values: The Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities on either a recurring or nonrecurring basis. When measuring the fair value of an asset or a liability, the Company uses observable market data to the extent such information is available. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

MOVING IMAGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Following is the fair value leveling for investment securities that are measured at fair value on a recurring basis as of June 30, 2022:

	June 30, 2022			Total
	Level 1	Level 2	Level 3	
Equity securities	\$ 764	\$ —	\$ —	\$ 764
State and Municipal Debt Securities	889	—	—	889
Fixed Income Funds	2,687	—	—	2,687
Alternative Funds	—	300	—	300
Real Estate Funds	—	48	—	48
Subtotal				4,688
Less Long-term				(325)
Net Current				<u>\$ 4,363</u>

The carrying amounts of accounts receivable, accounts payable, and notes 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 recognized \$0.954 million in impairments. See the additional discussion in Note 7 below. There were no impairments recognized for the years ended June 30, 2022.

Deferred Offering Costs: The Company capitalized certain legal, accounting and other third-party fees that were directly associated with its IPO as deferred offering costs (non-current) until such financings were consummated.

As of June 30, 2021, \$1,116,000 of deferred offering costs were capitalized in other assets. After completion of the IPO in July 2021, these costs were recorded in the consolidated statement of stockholders' equity as a reduction of the proceeds received from the offering.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 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.

Cash Equivalents and Marketable Securities: All highly liquid investments with maturities of three months or less at the date of purchase are classified as cash equivalents. The Company's investments in marketable debt securities are carried at either amortized cost or fair value. Investments in debt securities that the Company has the positive intent and ability to hold to maturity are carried at amortized cost and classified as held-to-maturity. Investments in debt securities that are not classified as held-to-maturity are carried at

MOVING IMAGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

fair value and classified as available-for-sale. Realized gains and losses on available-for-sale debt securities are included in net income/loss. Unrealized gains and losses, net of tax, on available-for-sale debt securities are recognized in other comprehensive gain/(loss). The Company's investments in marketable equity securities are classified based on the nature of the securities and their availability for use in current operations. The Company's marketable equity securities are measured at fair value with gains and losses recognized in other income/(expense), net. The cost of securities sold is determined using the specific identification method.

Accounts Receivable: Accounts receivable are carried at original invoice amount less allowance for bad debts. Management determines the allowance for bad debts 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 June 30, 2023 and 2022, the allowance for bad debts is approximately \$127,000 and \$138,000, 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 June 30, 2023 and 2022, inventory on hand was comprised primarily of finished goods ready for sale. As of June 30, 2023 and 2022, the inventory reserve was \$584,000 and \$434,000, respectively.

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 as per the agreement, in an amount that reflects the consideration that we expect to receive in exchange for those goods as per the agreement with the customer. We generate all our revenue from agreements with customers. In case there are agreements with multiple performance obligations, we identify each performance obligation and evaluate 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. We allocate the transaction price to each distinct performance obligation proportionately based on the estimated standalone selling price for each performance obligation and then evaluate how the services are transferred to the customer to determine the timing of revenue recognition.

Management 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). Other than accounts receivable, there were no other contract assets as of June 30, 2023 or 2022.

MOVING IMAGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Contract liabilities consist of refund 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.

	June 30,	
	2023	2022
Contract Liabilities		
Customer deposits	\$ 3,169,460	\$ 3,157,578
Unearned Revenue	25,589	18,263
Customer refunds	138,645	20,193
Total	<u>\$ 3,333,694</u>	<u>\$ 3,196,034</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, collectively “deferred contract acquisition costs”, are considered incremental and recoverable costs of obtaining a contract with a customer. Management 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.

Disaggregation of Revenue (in 000’s):	For the years ended	
	June 30, 2023	June 30, 2022
Equipment upon delivery (point in time)	\$ 19,730	\$ 18,063
Installation (point in time)	412	288
Software and services (over time)	65	—
Total revenues	<u>\$ 20,207</u>	<u>\$ 18,351</u>

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

Revenue from installation is recognized upon completion of installation project and 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. There was \$65K in software revenues during the years ended June 30, 2023 and none in 2022.

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.

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 of approximately \$24,000 in 2023 and \$18,000 for 2022 are expensed as incurred within selling and marketing expenses.

Goodwill and Intangible Assets: Goodwill as of June 30, 2023 and 2022 represents the excess of the purchase price over the fair value of the net identifiable assets acquired in the 2019 Caddy Acquisition. Goodwill is reviewed for impairment at least annually, in

MOVING IMAGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

June, or more frequently if a triggering event occurs between impairment testing dates. The Company operates as a single operating segment and as a single reporting unit for the purpose of evaluating goodwill and intangible asset impairment. The Company's impairment assessment begins with a qualitative assessment to determine whether it's more likely than not that fair value of the reporting unit is less than its carrying value. The qualitative assessment includes comparing the overall financial performance of the Company against the planned results used in the last quantitative goodwill impairment test. Additionally, the Company's fair value is assessed in light of certain events and circumstances, including macroeconomic conditions, industry and market considerations, cost factors, and other relevant entity and Company specific events. The selection and assessment of qualitative factors used to determine whether it is more likely than not that the fair value of a reporting unit exceeds the carrying value involves significant judgment and estimates. If it is determined under the qualitative assessment that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then a quantitative impairment test is performed. Under the quantitative impairment test, the estimated fair value of the reporting unit would be compared with its carrying value (including goodwill). If the fair value of the reporting unit exceeds its carrying value, then no impairment exists. If the estimated fair value of the reporting unit is less than its carrying value, an impairment loss would be recognized for the excess of the carrying value of the reporting unit over the fair value, not to exceed the carrying amount of goodwill.

In June 2023, the Company conducted its annual impairment assessment and determined that the carrying value of the Caddy goodwill and customer relationships intangible assets had declined. Accordingly, the Company impaired \$0.287 million in goodwill and \$0.263 million in the customer intangible asset. Total intangibles were \$0.480 million as of June 30, 2023 compared to \$0.839 million as of June 30, 2022.

Goodwill is at risk of future impairment in the event of significant unexpected changes in the Company's forecasted future results and cash flows, or if there is a negative change in the long-term outlook for the business or in other factors such as the discount rate, or if there is a decline in the stock price or other impairment triggers. 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. The Company reviews its intangible assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be fully recoverable. For the year ended June 30, 2022. In 2023, the Company recognized \$263,000 in intangible asset impairments. There were no intangible asset impairments recognized for the year ended June 30, 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.

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 June 30, 2023 and 2022, the Company has established a warranty reserve of \$53,000 and \$55,000, respectively, which is included in accrued expenses in the accompanying consolidated balance sheets.

MOVING IMAGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

	June 30,	
	2023	2022
Product warranty liability beginning of period	\$ 55	\$ 29
Accruals for warranties issued	162	60
Change in estimates	—	—
Settlements made	(164)	(34)
Product warranty liability end of the period	<u>\$ 53</u>	<u>\$ 55</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.

Share-Based Compensation: The Company accounts for share-based payments in accordance with ASC 718, *Compensation-Stock Compensation*. Accordingly, the Company expenses the fair value of awards made under its share-based compensation plans. That cost is recognized in the consolidated financial statements over the requisite service period of the grants.

Recently Issued Accounting Pronouncements: In February 2016, the FASB issued ASU No. 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. The guidance is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early application is permitted. ASU 2016-02 requires modified retrospective adoption for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. 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, 2022 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 13. .

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which is intended to simplify the accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The new standard was adopted beginning July 1, 2022.

In January 2017, the FASB issued ASU 2017-04, *"Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,"* effective for fiscal years beginning after December 15, 2021, with an election to adopt early. The ASU requires only a one-step qualitative impairment test, whereby a goodwill impairment loss will be measured as the excess of a reporting unit's carrying amount over its fair value. It eliminates Step 2 of the current two-step goodwill impairment test, under which a goodwill impairment loss is measured by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The Company adopted this standard on July 1, 2022.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The standard's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. The Company shall adopt this standard beginning July 1, 2023. Management does not expect the adoption of ASU 2016-13 to have a material impact on its financial position and results of operations upon adoption.

Other pronouncements issued by the FASB with future effective dates are either not applicable or not significant to the consolidated financial statements of the Company.

MOVING IMAGE TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 — INVESTMENTS

In March 2023, the Company sold all of its marketable securities with the proceeds deposited to the Company’s cash account. As a result, the prior fair value and market data disclosure is no longer needed as of June 30, 2023.

As of June 30, 2022, the Investments were as follows:

	<u>Adjusted Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Cash and Cash Equivalents</u>	<u>Current Marketable Securities</u>	<u>Non-current Marketable Securities</u>
Cash	\$ 2,340	\$ —	\$ —	\$ 2,340	\$ 2,340	\$ —	\$ —
Equities							
Communication	50	—	(11)	39	—	39	—
Consumer Discretionary	69	—	(15)	54	—	54	—
Consumer Staples	19	—	—	19	—	19	—
Energy	9	—	(1)	8	—	8	—
Financials	44	—	(8)	36	—	36	—
Health Care	40	—	—	40	—	40	—
Industrials	27	—	(7)	20	—	20	—
Information Technology	133	—	(25)	108	—	108	—
Materials	10	—	(2)	8	—	8	—
Real Estate	10	—	(2)	8	—	8	—
Utilities	6	—	—	6	—	6	—
Mutual Funds	482	—	(64)	418	—	418	—
Subtotal	899	—	(135)	764	—	764	—
Fixed Income							
State & Municipal Bonds	906	—	(17)	889	—	564	325
Fixed income funds	2,759	—	(72)	2,687	—	2,687	—
Subtotal	3,665	—	(89)	3,576	—	3,251	325
Alternative, real estate and other	366	—	(18)	348	—	348	—
Total	\$ 7,270	\$ —	\$ (242)	\$ 7,028	\$ 2,340	\$ 4,363	\$ 325

NOTE 3 — SNDBX AGREEMENTS

On April 25, 2023, the Company entered into a Letter Agreement, subject to definitive agreements, with The Five Agency, LLC (“The Five Agency”). The Five Agency operates gaming leagues at various theaters, cinemas, movie theaters, entertainment complexes and auditoriums, and provides league structures, hosts, management, supervision, coordination with game publishers, marketing and marketing assets for leagues and events under the brand SNDBX. The Five Agency and the Company jointly designed the equipment package that will be used for that purpose. Pursuant to the Letter Agreement, the Company agreed to lend The Five Agency \$300,000 (the “Loan”), which will be provided in two equal installments as further described below, and The Five Agency will form a separate Florida corporation, SNDBX, INC (“SNDBX”), to conduct that business. As a portion of the consideration

MOVING IMAGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 — SNDBX AGREEMENTS (continued)

payable to MiT under the Loan, upon the formation of SNDBX, The Five Agency will cause SNDBX to issue the Company 5% of the equity of SNDBX, which will be issued to MiT regardless of whether the second \$150,000 advance conditions described below are satisfied by The Five Agency or SNDBX. Plus, the Company has the right to participate in any and all future capital and debt offerings by SNDBX.

Pursuant to the terms of the Loan, on April 25, 2023, and subject to the satisfaction of the conditions described in the Letter Agreement, the Company extended an initial loan of \$150,000 to The Five Agency with interest at 10% per annum payable each year commencing on May 1, 2024 with principal due on May 1, 2026. The Loan is secured by the Patents (as defined below). The Company also agreed to advance an additional \$150,000 upon the request of The Five Agency upon satisfying certain customary conditions, such as execution of definitive agreements and board and other approvals, and completing the following conditions by May 31, 2023:

- (i.) The parties have entered into an exclusive supply and marketing agreement requiring The Five Agency or SNDBX to purchase greater than \$3 million of equipment systems from the Company by April 30, 2026 (the “Supply Agreement”). After satisfying the requirement to purchase \$3.0 million, the Supply Agreement will be non-exclusive;
- (ii.) SNDBX will be formed with The Five Agency granted 95% of the common stock and the Company granted 5% of the common stock;
- (iii.) The initial \$150,000 loan will be disbursed pursuant to an agreed upon budget; and
The Company has the right to appoint an advisory board member, who will be approved by The Five Agency, and will have board observation rights for any formal board meetings of The Five Agency and SNDBX until April 30, 2026 or until the Loan is paid in full, whichever comes later.

The Company and either The Five Agency or SNDBX will be co-owners of the equipment patents (the “Patents”) and will share the costs. The Five Agency will apply for Patents on or before April 30, 2024 and after expiration of the Supply Agreement in three years, either party may sell equipment to others with the Company entitled to a reasonable royalty rate equal to a percentage the net sales. In the event of a transfer of the co-owned Patent rights, the Company will automatically become the sole owner of the Patents.

On June 6, 2023, the Company entered into a Convertible Note Purchase Agreement (the “Purchase Agreement”), with SNDBX, INC. (“SNDBX”) pursuant to which SNDBX issued and sold an unsecured convertible promissory note (the “Note”) to the Company for the principal amount of \$100,000.

The Note matures on June 5, 2024, (the “Maturity Date”) and accrues simple interest at an annual rate of 5%, payable at any time on or after the Maturity Date. At the Company’s election the Note (including accrued interest) is convertible into stock of SNDBX having the same rights and privileges of stock owned by the founders of SNDBX (the “Founders Shares”) at any time on or after the Maturity Date at a conversion price of \$5,000 per Founders Share, or twenty (20) SNDBX Founders Shares.

SNDBX may repurchase ten (10) of the twenty (20) Founders Shares at any time during the two (2) year period after the date of the Note’s conversion, for an aggregate repurchase price of \$500,000. If SNDBX exercises such repurchase option, \$100,000 of the repurchase price is due and payable on the date of such election, and the remaining \$400,000 is paid in installments of \$100,000 annually thereafter on such date. The Purchase Agreement contains customary representations and warranties.

The following events constitute an event of default under the Note: (i) SNDBX’s failure to pay timely any of the principal amount due under the Note on the date the same becomes due and payable or any unpaid accrued interest or other amounts due under the Note on the date the same becomes due and payable; (ii) SNDBX files any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law or any other law for the relief of, or relating to, debtors, now or hereafter in effect, or

MOVING IMAGE TECHNOLOGIES, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 3 — SNDBX AGREEMENTS (continued)**

makes any assignment for the benefit of creditors or takes any corporate action in furtherance of any of the foregoing; or (iii) an involuntary petition is filed against SNDBX (unless such petition is dismissed or discharged within 90 days under any bankruptcy statute now or hereafter in effect, or a custodian, receiver, trustee or assignee for the benefit of creditors (or other similar official) is appointed to take possession, custody or control of any property of SNDBX. Upon an event of default, the Note will accelerate and all principal and unpaid accrued interest will become due and payable.

The Note and the Founders Shares underlying the Note have not been registered under the Securities Act of 1933, as amended, or any state securities laws, and may not be offered or sold absent registration or an applicable exemption from registration requirements.

On June 30, 2023, the Company determined the Notes Receivable balance of \$0.400 million was unrealizable due to SNDBX delays and execution risk and fully reserved the balance. The \$0.400 million is included within impairment expense.

NOTE 4 - SHARE BUYBACK

On March 23, 2023 the Board of Directors 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 period of March 24 through March 31, 2023, the Company repurchased 47,467 shares of the Company's stock. During the period of May 18 through May 31, 2023, the Company repurchased an additional 225,153 shares of the Company's stock. For the year ended June 30, 2023, the Company repurchased a combined total of 272,620 share representing 2.55% of the 10,685,778 outstanding shares at the end of June 30, 2023 at an average price of \$1.111 per share.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)
March 23, 2023 – March 31, 2023	47,467	\$ 1.025	47,467	\$ 951
May 18, 2023 - June 30, 2023	225,153	1.130	225,153	697
Total	272,620	\$ 1.111	272,620	\$ 697

MOVING IMAGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 — LOSS PER SHARE

Basic loss per share data for each year presented is computed using the weighted average number of shares of common stock outstanding during each such year. Diluted loss per share data is computed using the weighted average number of common and potentially dilutive securities outstanding during each year. 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 Year Ended June 30, 2023</u>	<u>For the Year Ended June 30, 2022</u>
Numerator:		
Net loss	\$ (1,798)	\$ (1,345)
Denominator:		
Weighted average common shares outstanding, basic and diluted	10,922,710	10,577,994
Loss per share		
Basic and diluted	<u>\$ (0.16)</u>	<u>\$ (0.13)</u>

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

	<u>For the Year Ended June 30, 2023</u>	<u>For the Year Ended June 30, 2022</u>
Options	250,000	150,000
Warrants	—	—
Total potentially dilutive shares	<u>250,000</u>	<u>150,000</u>

For the years ended June 30, 2023 and 2022, the Company had net losses, therefore all potentially dilutive securities are deemed to be anti-dilutive and are not included in the diluted loss per share computation.

NOTE 6 — PROPERTY AND EQUIPMENT

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Production equipment	\$ 308	\$ 307
Leasehold improvements	213	213
Furniture and fixtures	45	45
Computer equipment	60	47
Other equipment	120	120
Total	746	732
Accumulated depreciation	(718)	(710)
Net property and equipment	<u>\$ 28</u>	<u>\$ 22</u>

MOVING IMAGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 — PROPERTY AND EQUIPMENT (continued)

Depreciation expense related to property and equipment was \$9,000 in 2023 and \$19,000 in 2022, with \$0 and \$9,000 included in cost of goods sold and \$9,000 and \$10,000 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:

	<u>Useful Lives</u>
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 7 — GOODWILL AND INTANGIBLE ASSETS

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

	<u>Amortization Period</u>	<u>Gross Asset Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
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>

The following table summarizes the Company’s intangible assets as of June 30, 2022 (in thousands):

	<u>Amortization Period</u>	<u>Gross Asset Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Customer relations	11 years	\$ 970	\$ 257	\$ 713
Patents	20 years	70	10	60
Trademark	20 years	78	12	66
		<u>\$ 1,118</u>	<u>\$ 279</u>	<u>\$ 839</u>

For the years ended June 30, 2023, amortization expense was \$358,000 consisting of recurring annual \$95,000 expense and the impairment charge of \$263,000 – see Note 1. For the year ended June 30, 2022, amortization expense was \$96,000. Amortization expense is included in general and administrative expense.

Goodwill’s impairment was \$287,000 and \$0 for the years ended June 30, 2023 and 2022, respectively, and are included in general and administrative expenses. Estimated amortization expense related to intangible assets subject to amortization at June 30, 2023 in each of the five fiscal years subsequent to June 30, 2023, and thereafter is as follows (amounts in thousands):

2024	\$	59
2025		59
2026		59
2027		59
Thereafter		<u>244</u>
Total	<u>\$</u>	<u>480</u>

MOVING IMAGE TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 — ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	June 30,	
	2023	2022
Employee compensation	\$ 180	\$ 519
Accrued warranty	53	55
Customer refund	139	—
Legal fees	56	—
Freight	29	—
Sales tax	27	—
Others	134	81
Total	<u>\$ 618</u>	<u>\$ 655</u>

NOTE 9 — DEBTLine of Credit

In October 2019, MiT LLC executed a line of credit agreement with an unaffiliated lender to provide a \$1.0 million asset-based bridge loan to be used for working capital purposes. Funds borrowed bore interest at 13% per annum and were due and payable one year from the origination date of the loan. The loan was secured by all assets of MiT LLC and was personally guaranteed by Phil Rafnson, our CEO and Chairman of the Board. Sound Management Investors, LLC, an entity controlled by Mr. Rafnson, pledged all membership units of MiT LLC held by it as further security for the repayment of such loan. In connection with this borrowing, the lender was issued warrants to acquire shares of the Company's common stock upon completion of its IPO. On the effective date of the IPO, the lender exercised these warrants to acquire 94,723 shares of the common stock on a cashless basis.

Approximately \$400,000 of the proceeds from this loan were used to pay amounts owed to Caddy in connection with the Caddy acquisition.

No further borrowings are available under this agreement from March 31, 2020. As of June 30, 2021, the outstanding balance of this line of credit was \$590,000. In July 2021, the outstanding balance, and all accrued interest, was paid in full.

There was no outstanding debt arrangement or debt balance as of June 30, 2023.

Paycheck Protection Program

On May 6, 2020, the Company received loan proceeds in the amount of approximately \$694,000 under the Paycheck Protection Program ("PPP"). On March 13, 2021, the Company received proceeds in the amount of approximately \$698,000 from a second PPP loan. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. In May 2021, the Company received notification from the Small Business Administration that the first loan in the amount of \$694,000, including accrued interest, has been fully forgiven.

The Company used the proceeds for purposes consistent with the PPP. In April 2022, the Company received notice that on March 23, 2022, its second PPP loan in the amount of \$698,000 plus accrued interest of \$7,000 has been fully forgiven and is paid in full.

MOVING IMAGE TECHNOLOGIES, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 10 — 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 June 30, 2023, the Plan provided for the issuance of up to 1,220,000 stock-based awards available to grant under the Plan at June 30, 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.

On March 6, 2023, the Board of Directors (the "Board") of 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.

The estimated fair value of each option award granted was determined on the date of grant using the Black-Scholes option valuation model. The following weighted average assumptions were used for the Board of Director and Officer option grants during the year ended June 30, 2023:

	<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

MOVING IMAGE TECHNOLOGIES, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 10 — STOCKHOLDERS' EQUITY (continued)**

A summary of the status of the Company's stock options as of June 30, 2023 and 2022 and changes during the years ended June 30, 2023 and 2022 are presented below.

	<u>Options</u>	<u>Wtd. Avg. Exercise Price</u>
Balance, July 1, 2021	—	\$ —
Granted during the year	150,000	3.00
Exercised during the year	—	—
Terminated/Expired during the year	—	—
Balance, July 1, 2022	150,000	\$ 3.00
Granted during the year	250,000	1.10
Exercised during the year	—	—
Cancelled during the year	(150,000)	(3.00)
Balance, June 30, 2023	<u>250,000</u>	<u>\$ 1.10</u>

The following table summarizes the outstanding stock options at June 30, 2023:

<u>Range of Exercise Price</u>	<u>Number Outstanding</u>	<u>Wtd. Avg. Life</u>	<u>Wtd. Avg. Exercise Price</u>
\$1.10	250,000	9.0 years	\$1.10

MOVING IMAGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 — STOCKHOLDERS' EQUITY (continued)

A summary of the status of the Company's stock warrants as of June 30, 2023 and 2022 and changes during the years ended June 30, 2023 and 2022 are presented below.

	Warrants	Wtd. Avg. Exercise Price
Balance, July 1, 2021	236,667	\$ 2.76
Granted during the year	241,500	3.75
Exercised during the year	(331,731)	3.28
Terminated/Expired during the year	(146,436)	3.21
Balance, June 30, 2022	—	\$ —
Granted during the year	—	—
Exercised during the year	—	—
Terminated/Expired during the year	—	—
Balance, June 30, 2023	—	\$ —

In July 2021, warrants were exercised on a cashless basis resulting in the issuance of 139,611 shares of common stock.

In April 2022, underwriter warrants were exercised on a cashless basis resulting in the issuance of 192,120 shares of common stock.

There was no warrant activity during the year ended June 30, 2023.

NOTE 11 — INCOME TAXES

The following table summarizes deferred tax assets and liabilities as of the date of the Exchange Agreement and through June 30, 2023:

	Deferred Tax Assets	Deferred Tax Liabilities	Existing valuation allowance Prior to business combination	Net Position
Deferred tax assets	\$ 1,443	\$ —	\$ —	\$ 1,443
Deferred tax liabilities	—	112	—	112
Valuation allowance	—	—	(1,555)	(1,555)
Total MiT Inc. June 30, 2023	\$ 1,443	\$ 112	\$ (1,555)	\$ —
Deferred tax assets	\$ 910	\$ —	\$ —	\$ 910
Deferred tax liabilities	—	(18)	—	(18)
Valuation allowance	—	—	(892)	(892)
Total MiT Inc. June 30, 2022	\$ 910	\$ (18)	\$ (892)	\$ —

MOVING IMAGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 — INCOME TAXES (continued)

The following table summarizes the components of deferred tax assets and deferred tax liabilities:

	Deferred Tax Assets (Liabilities)	
	June 30, 2023	June 30, 2022
Inventory reserve	\$ 163	\$ 122
Accumulated depreciation	(5)	(6)
Accumulated goodwill amortization	(13)	(12)
Accumulated intangible amortization	130	8
Unrealized loss on investments	68	68
Deferred rent	4	6
Warranty reserve	7	5
Stock compensation	68	68
Net operating loss carryforward	1,097	594
Allowance for doubtful accounts	36	39
Net	1,555	892
Valuation allowance	(1,555)	(892)
Total	\$ —	\$ —

The income tax expense differs from the amount computed by applying the statutory income tax rates to the loss before income tax. The following table shows the reasons for these differences:

	2023	2022
Net loss before tax	\$ (1,798)	\$ (1,345)
United States corporate tax rate	21 %	21 %
Tax Benefit at statutory rate	378	282
Differences due to:		
State taxes	156	119
PPP Loan Forgiveness	—	210
Other, permanent differences	(235)	46
Change in valuation allowance	(299)	(657)
Income Tax (Benefit) Expense	\$ —	\$ —
Effective Tax Rate	(0)%	(0)%

At June 30, 2023 the Company has approximately \$3,381,000 of U.S. Federal and State NOL carryforwards, which will be available for future use to offset taxable income.

The Company recognized a valuation allowance of \$1,555,000 and \$892,000 as of June 30, 2023 and 2022, respectively, as all U.S. Federal and state deferred tax assets have been determined to be not more likely than not realizable. Management does not believe that it had any significant uncertain tax positions at June 30, 2023 and 2022, nor is this expected to change within the next twelve months due to the settlement and expiration of statutes of limitation.

NOTE 12 — RELATED PARTY TRANSACTIONS

In July 2021, the Company provided a discretionary \$50,000 payment to the Company's CEO and Chairman of the Board of Directors for personal guarantees provided in conjunction with financing company debt. See Note 7 - Debt.

MOVING IMAGE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 — CUSTOMER AND VENDOR CONCENTRATIONS

Customers: No customer accounted for more than 10% of the Company's revenue for the year ended June 30, 2023. No customer accounted for more than 10% of the Company's revenue for the year ended June 30, 2022.

One customers accounted for 14% of accounts receivable at June 30, 2023. Three customers accounted for 18%, 16% and 10% of accounts receivable at June 30, 2022.

Vendors: For the year ended June 30, 2023, the two largest vendors provided 20% and 15%, respectively, of the Company's purchases. For the year ended June 30, 2022, the two largest vendors provided 18% and 13%, respectively, of the Company's purchases.

On June 30, 2023, one vendor accounted for 20% of accounts payable at June 30, 2023. At June 30, 2022, the one vendor accounted for 39% of accounts payable balance.

NOTE 14 — COMMITMENTS AND CONTINGENCIES

Operating Leases: The Company occupies an 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 on 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 aggregate rent expense was \$287,000 and \$281,000 for the year ended June 30, 2023 and 2022, respectively.

In September 2018, the Company reached an agreement to extend the executive office lease effective February 1, 2019 by an additional five years. The monthly rent payable for the first year of the extended term was \$120,620 and increases by 3% on each anniversary date. In April 2020, the Company reached an agreement whereby April, May and June 2020 monthly rent payments related to this lease in the amount of \$19,500 were deferred but payable in six monthly installments of \$3,250 commencing on the first day of July 2020. In addition, the term of the lease was extended for one year from the anniversary date, through January 2025.

Also, in September 2018, the Company reached an agreement to extend the warehouse lease effective February 1, 2019 by an additional five years. The monthly rent payable for the first year of the extended term was \$9,465 and increases by 3% on each anniversary date. In April 2020, the Company reached an agreement whereby April, May and June 2020 monthly rent payments in the amount of \$14,624 were deferred but payable in six monthly installments of \$2,437 commencing on the first day of July 2020. In addition, the term of the lease was extended for one year from the anniversary date, through January 2025.

MOVING IMAGE TECHNOLOGIES, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 14 — COMMITMENTS AND CONTINGENCIES (continued)**

Future minimum lease payments at June 30, 2023 under these arrangements are as follows:

	(in thousands)
Operating leases	Total
	Payments
2024	\$ 302
2025	154
Total future minimum lease payments	\$ 456
Less imputed interest (at 8%)	(25)
Present value of operating lease payments	\$ 431

The following table sets forth the ROU assets and operating lease liabilities as of June 30, 2023:

Assets	(in thousands)
ROU assets-net	\$ 415
Liabilities	
Current operating lease liabilities	\$ 280
Long-term operating lease liabilities	151
Total ROU liabilities	\$ 431

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 15 — SUBSEQUENT EVENTS

The Company has evaluated events from June 30, 2023 through September 27 2023, the date these consolidated financial statements were available to be issued.

EXHIBIT INDEX

Index to Exhibits

Exhibit No.	Exhibit Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Certificate of Incorporation, as amended	S-1/A	333-234159	3.1	10/1/20	
3.2	Bylaws	S-1/A	333-234159	3.2	10/1/20	
3.3	Amendment No. 1 to the Amended and Restated Bylaws	8-K	001-40511	3.1	3/10/23	
4.1	Form of Common Stock Certificate	S-1/A	333-234159	4.1	2/21/20	
4.2	Description of Securities					✓
10.1	Form of Indemnity Agreement between the Company and its directors and officers	S-1/A	333-234159	10.2	2/21/20	
10.2†	2019 Omnibus Incentive Plan	S-1/A	333-234159	10.3	10/11/19	
10.2(a)†	Amendment No. 1 to 2019 Omnibus Incentive Plan	S-8	333-266822	99.1(a)	8/12/22	
10.2(b)†	Form of Stock Option Award Agreement	S-1/A	333-234159	10.3(a)	10/11/19	
10.2(c)†	Form of Restricted Stock Award Agreement	S-1/A	333-234159	10.3(b)	10/11/19	
10.2(d)†	Form of Restricted Stock Unit Agreement	S-1/A	333-234159	10.3(c)	10/11/19	
10.3	Asset Purchase Agreement dated April 21, 2022 between Moving iMage Technologies, Inc. and QSC, LLC	8-K	001-40511	10.1	4/26/22	
10.4†	Interim CFO Engagement Agreement, dated January 19, 2023, between the Company and William Greene	8-K	001-40511	10.1	1/24/23	
10.5	Letter Agreement between Moving iMage Technologies, Inc. and The Five Agency dated April 25, 2023	10-Q	001-40511	10.1	5/15/23	
10.6	Convertible Note Purchase Agreement dated June 6, 2023	8-K	001-40511	10.1	6/12/23	
21.1	List of Subsidiaries	10-K	001-40511	21.1	9/28/22	
23.1	Consent of Haskell & White LLP					✓
24	Power of Attorney (included on signature page)					✓
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 Report on Form 10-K for the year ended June 30, 2023, 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).					

† Indicates a management contract or compensatory plan or arrangement.

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, in the City of Fountain Valley, State of California, on September 27, 2023.

Moving iMage Technologies, Inc.

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

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Phil Rafnson and William Greene, jointly and severally, his or her attorney-in-fact, each with the full power of substitution, for such person, in any and all capacities, to sign any and 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 connection therewith, as fully to all intents and purposes as he or she might do or could do in person hereby ratifying and confirming all that each of said attorneys-in-fact and agents, or his or her substitute, may do or cause to be done by virtue hereof.

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 indicated and on the dates indicated.

<u>Name and Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Phil Rafnson</u> Phil Rafnson	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	September 27, 2023
<u>/s/ William Greene</u> William Greene	Chief Financial Officer (Principal Financial and Accounting Officer)	September 27, 2023
<u>/s/ Katherine D. Crothall, Ph.D.</u> Katherine D. Crothall, Ph.D.	Director	September 27, 2023
<u>/s/ John C. Stiska</u> John C. Stiska	Director	September 27, 2023
<u>/s/ Scott Anderson</u> Scott Anderson	Director	September 27, 2023

DESCRIPTION OF SECURITIES

General

The following description sets forth certain material terms and conditions of the common stock, par value \$0.00001 per share (the “Common Stock”), of Moving iMage Technologies, Inc. (the “Company”), which is registered under Section 12 of the Securities Exchange Act of 1934, as amended, as well as the Company’s preferred stock. The following description of the Company’s securities and certain provisions of its Certificate of Incorporation, as amended (the “Certificate of Incorporation”) and Bylaws, as amended (the “Bylaws”), which are incorporated by reference as Exhibits 3.1 and 3.2, respectively, to our Annual Report on Form 10-K, of which this Exhibit 4.2 is a part, is qualified in its entirety by, and should be read in conjunction with, the Certificate of Incorporation, Bylaws and the applicable provisions of the General Corporation Law of the State of Delaware, as amended (the “DGCL”).

Capital Stock

The Company’s authorized capital stock consists of 110,000,000 shares, all with a par value of \$0.0001 per share, of which 100,000,000 shares are designated as Common Stock and 10,000,000 shares designated as preferred stock.

Common Stock

Voting. The holders of our Common Stock are entitled to one vote per share on all matters submitted to a vote of our stockholders. The DGCL provides that a stockholder’s right to vote cumulatively in the election of directors does not exist unless the certificate of incorporation specifically provides otherwise. Our Certificate of Incorporation does not provide for cumulative voting for the election of directors.

Dividends. Subject to preferences that may be applicable to any preferred stock outstanding at the time, the holders of outstanding shares of Common Stock are entitled to receive ratably any dividends declared by our board of directors out of assets legally available therefor.

Dissolution and Liquidation. In the event that the Company liquidates, dissolves or winds up, holders of our Common Stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any then outstanding shares of preferred stock.

Other Rights. Holders of Common Stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the Common Stock.

Preferred Stock

Our board of directors may, without further action by our stockholders, fix the rights, preferences, privileges and restrictions of up to an aggregate of 10,000,000 shares of preferred stock in one or more series and authorize their issuance. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of our Common Stock. The issuance of our preferred stock could adversely affect the voting power of holders of our Common Stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change of control or other corporate action.

Certain Provisions under the Company's Certificate of Incorporation, Bylaws and the DGCL***Anti-Takeover Provisions****Certificate of Incorporation and Bylaws*

Because our stockholders do not have cumulative voting rights, our stockholders holding a plurality of the outstanding shares of Common Stock outstanding will be able to elect all of our directors. A special meeting of stockholders may be called by holders of record of a majority of our Common Stock or by the majority of our whole board of directors, or our chief executive officer. Our Bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as director. In order for any matter to be "properly brought" before a meeting, a stockholder must comply with such advance notice procedures and provide us with certain information. Our Bylaws allow the chairperson of the meeting of stockholders to adopt rules and regulations for the conduct of meetings which may have the effect of precluding the conduct of certain business at a meeting if such rules and regulations are not followed.

The foregoing provisions will make it more difficult for our existing stockholders to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Since our board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management. In addition, the authorization of undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change our control.

These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage certain types of transactions that may involve an actual or threatened acquisition of us. These provisions are also designed to reduce our vulnerability to an unsolicited acquisition proposal and to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and may have the effect of deterring hostile takeovers or delaying changes in our control or management. As a consequence, these provisions also may inhibit fluctuations in the market price of our stock that could result from actual or rumored takeover attempts.

Delaware law does not require stockholder approval for any issuance of authorized shares. However, the listing requirements of the Nasdaq Capital Market, which would apply if and so long as the Common Stock remains listed on the Nasdaq, require stockholder approval of certain issuances equal to or exceeding 20% of the then outstanding voting power or then outstanding number of shares of Common Stock. Additional shares that may be issued in the future may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions. One of the effects of the existence of unissued and unreserved Common Stock may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of the Company by means of a merger, tender offer, proxy contest or otherwise and thereby protect the continuity of management and possibly deprive stockholders of opportunities to sell their shares of Common Stock at prices higher than prevailing market prices.

Section 203 of the Delaware General Corporation Law

We are subject to Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
-

- upon closing of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned by (i) persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loss, advances, guarantees, pledges or other financial benefits by or through the corporation.

In general, Section 203 defines an “interested stockholder” as an entity or person who, together with the person’s affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

Dissenters’ Rights of Appraisal and Payment

Under the DGCL, with certain exceptions, the Company’s stockholders have appraisal rights in connection with a merger or consolidation of the Company. Pursuant to the DGCL, stockholders who properly request and perfect appraisal rights in connection with such merger or consolidation will have the right to receive payment of the fair value of their shares as determined by the Delaware Court of Chancery.

Stockholders’ Derivative Actions

Under the DGCL, any of the Company’s stockholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the stockholder bringing the action is a holder of the Company’s securities at the time of the transaction to which the action relates or such stockholder’s stock thereafter devolved by operation of law.

Bylaw Amendments

The Company’s Bylaws may be amended by our stockholders or the Board, and all such amendments must be approved by either the holders of at least a majority of the outstanding capital stock entitled to vote thereon or by a majority of the directors then in office.

Exclusive forum for adjudication of disputes provision which limits the forum to the Delaware Court of Chancery for certain actions against the Company.

Section 6 of Article VII of our Bylaws dictates that the Delaware Court of Chancery is the sole and exclusive forum for certain actions including derivative action or proceeding brought on behalf of the Company; an action asserting a breach of fiduciary duty owed by an officer, director, employee or to the shareholders of the Company; any claim arising under Delaware corporate law; and any action asserting a claim governed by the internal affairs doctrine. These exclusive-forum provisions do not apply to claims under the Securities Act or the Exchange Act. While management believes limiting the forum is a benefit, shareholders could be inconvenienced by not being able to bring an action in another forum they find favorable. Note that there is uncertainty as to whether a court would enforce this provision as it relates to claims under the federal securities laws and that shareholders will not be deemed to have waived the Company's compliance with federal securities laws and the rules and regulations thereunder.

A Delaware corporation is allowed to mandate in its corporate governance documents a chosen forum for the resolution of state law based shareholder class actions, derivative suits and other intra-corporate disputes. The Company's management believes limiting state law based claims to Delaware will provide the most appropriate outcomes as the risk of another forum misapplying Delaware law is avoided, Delaware courts have a well-developed body of case law and limiting the forum will preclude costly and duplicative litigation and avoids the risk of inconsistent outcomes. Additionally, Delaware Chancery Courts can typically resolve disputes on an accelerated schedule when compared to other forums.

Limitation on Liability and Indemnification Matters

Our Certificate of Incorporation and Bylaws provide that we will indemnify our directors and officers, and may indemnify our employees and other agents, to the fullest extent permitted by the Delaware General Corporation Law. However, Delaware law prohibits our amended and restated certificate of incorporation from limiting the liability of our directors for the following:

- any breach of a director's duty of loyalty to us or to our stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or unlawful stock repurchases or redemptions; and
- any transaction from which a director derived an improper personal benefit.

If Delaware law is amended to authorize corporate action further eliminating or limiting the personal liability of a director, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law, as so amended. Our Certificate of Incorporation does not eliminate a director's duty of care and, in appropriate circumstances, equitable remedies, such as injunctive or other forms of non-monetary relief, remain available under Delaware law. It also does not affect a director's responsibilities under any other laws, such as the federal securities laws or other state or federal laws. Under our Bylaws, we are also empowered to enter into indemnification agreements with our directors, officers, employees and other agents and to purchase insurance on behalf of any person whom we are required or permitted to indemnify.

In addition to the indemnification required in our Certificate of Incorporation and Bylaws, we have entered into indemnification agreements with each of our current directors and executive officers. These agreements provide for the indemnification of such persons for all reasonable expenses and liabilities incurred in connection with any action or proceeding brought against them by reason of the fact that they are or were serving in such capacity. We believe that these Certificate of Incorporation and Bylaws provisions and indemnification agreements are necessary to attract and retain qualified persons as directors, officers and employees. Furthermore, we have obtained director and officer liability insurance to cover liabilities our directors and officers may incur in connection with their services to us.

The limitation of liability and indemnification provisions in our Certificate of Incorporation and Bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our stockholders. A stockholder's investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, or the Securities Act, may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the Commission, such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. There is no pending litigation or proceeding naming any of our directors or officers as to which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (file nos. 333-266822 and 333-258966) of Moving iMage Technologies, Inc. (the “Company”) of our report dated September 27, 2023, relating to the consolidated financial statements as of June 30, 2023, which appear in the Annual Report on Form 10-K for the year ended June 30, 2023.

/s/ Haskell & White LLP

HASKELL & WHITE LLP

Irvine, California
September 27, 2023

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-K 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: September 27, 2023

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-K 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: September 27, 2023

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 Annual Report on Form 10-K for the period ended June 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 his 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
September 27, 2023

By: /s/ William F. Greene
William F. Greene
Chief Financial Officer
September 27, 2023
