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

FORM 10-Q

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

For the Quarterly period ended December 31, 2023

OR

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

Commission file number 001-31747

UNIVERSAL SECURITY INSTRUMENTS, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

52-0898545

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

11407 Cronhill Drive , Suite A

Owings Mills , Maryland

(Address of principal executive offices)

21117

(Zip Code)

Registrant's telephone number, including area code: **(410) 363-3000**

Inapplicable

(Former name, former address and former fiscal year if changed from last report.)

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 if 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 Accelerated filer Non-Accelerated Filer Smaller Reporting Company Emerging Growth Company

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

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

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	UUU	NYSE MKT LLC

At February 20, 2024, the number of shares outstanding of the registrant's common stock was 2,312,887 .

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PART I - FINANCIAL INFORMATION**ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****UNIVERSAL SECURITY INSTRUMENTS, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**

ASSETS	(unaudited)	(audited)
	December 31, 2023	March 31, 2023
CURRENT ASSETS		
Cash	\$ 39,178	\$ 151,502
Accounts receivable:		
Trade, less provision for credit losses of \$ 157,012	646,920	414,689
Other receivables	5,000	305,889
	<u>651,920</u>	<u>720,578</u>
Amount due from factor	2,701,207	2,944,370
Inventories – finished goods	4,880,508	4,063,632
Prepaid expenses	<u>399,318</u>	<u>165,378</u>
TOTAL CURRENT ASSETS	8,672,131	8,045,460
INTANGIBLE ASSETS - NET	32,419	35,773
PROPERTY AND EQUIPMENT – NET	199,404	318,641
TOTAL ASSETS	\$ 8,903,954	\$ 8,399,874
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Line of credit - factor	\$ 1,121,064	\$ 1,459,350
Short-term portion of operating lease liability	156,851	151,230
Accounts payable - trade	1,361,366	293,465
Accounts payable – Eyston Company Ltd.	517,624	655,000
Accrued liabilities:		
Accrued payroll and employee benefits	155,124	125,415
Accrued commissions and other	<u>98,938</u>	<u>184,525</u>
TOTAL CURRENT LIABILITIES	3,410,967	2,868,985
LONG-TERM PORTION OF OPERATING LEASE LIABILITY	53,289	172,072
TOTAL LONG-TERM LIABILITIES	53,289	172,072
COMMITMENTS AND CONTINGENCIES	—	—
SHAREHOLDERS' EQUITY		
Common stock, \$.01 par value per share; authorized 20,000,000 shares; 2,312,887 shares issued and outstanding at December 31, 2023 and March 31, 2023	23,129	23,129
Additional paid-in capital	12,885,841	12,885,841
Accumulated Deficit	<u>(7,469,272)</u>	<u>(7,550,153)</u>
TOTAL SHAREHOLDERS' EQUITY	5,439,698	5,358,817
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 8,903,954	\$ 8,399,874

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

UNIVERSAL SECURITY INSTRUMENTS, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended December 31,	
	2023	2022
Net sales	\$ 4,654,978	\$ 5,758,661
Cost of goods sold	3,153,071	4,060,422
GROSS PROFIT	1,501,907	1,698,239
Selling, general and administrative expense	1,310,872	1,178,502
Engineering and product development expense	77,295	101,670
Operating income	113,740	418,067
Other income (expense):		
Interest income	24,746	—
Interest expense	(36,310)	(76,755)
NET INCOME	\$ 102,176	\$ 341,312
Earnings per share:		
Basic and diluted	\$ 0.04	\$ 0.15
Shares used in computing earnings per share:		
Weighted average basic and diluted shares outstanding	2,312,887	2,312,887

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

UNIVERSAL SECURITY INSTRUMENTS, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Nine Months Ended December 31,	
	2023	2022
Net sales	\$ 15,071,204	\$ 16,251,106
Cost of goods sold	10,552,919	11,570,029
GROSS PROFIT	4,518,285	4,681,077
Selling, general and administrative expense	4,068,162	3,750,348
Engineering and product development expense	273,673	294,177
Operating income	176,450	636,552
Other income (expense):		
Interest income	24,746	—
Interest expense	(120,315)	(200,776)
NET INCOME	\$ 80,881	\$ 435,776
Earnings per share:		
Basic and diluted	\$ 0.03	\$ 0.19
Shares used in computing earnings per share:		
Weighted average basic and diluted shares outstanding	2,312,887	2,312,887

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

UNIVERSAL SECURITY INSTRUMENTS, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
NINE MONTHS ENDED DECEMBER 31, 2023
(Unaudited)

	<u>Common Shares</u>	<u>Stock Amount</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance at April 1, 2023	2,312,887	\$ 23,129	\$ 12,885,841	\$ (7,550,153)	\$ 5,358,817
Net income	_____	_____	_____	165,130	165,130
Balance at June 30, 2023	2,312,887	\$ 23,129	\$ 12,885,841	\$ (7,385,023)	\$ 5,523,947
Net loss	_____	_____	_____	(186,425)	(186,425)
Balance at September 30, 2023	2,312,887	\$ 23,129	\$ 12,885,841	\$ (7,571,448)	\$ 5,337,522
Net income	_____	_____	_____	102,176	102,176
Balance at December 31, 2023	<u>2,312,887</u>	<u>\$ 23,129</u>	<u>\$ 12,885,841</u>	<u>\$ (7,469,272)</u>	<u>\$ 5,439,698</u>

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

UNIVERSAL SECURITY INSTRUMENTS, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
NINE MONTHS ENDED DECEMBER 31, 2022
(Unaudited)

	<u>Common Shares</u>	<u>Stock Amount</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance at April 1, 2022	2,312,887	\$ 23,129	\$ 12,885,841	\$ (8,270,564)	\$ 4,638,406
Net loss	_____	_____	_____	(106,138)	(106,138)
Balance at June 30, 2022	2,312,887	\$ 23,129	\$ 12,885,841	\$ (8,376,702)	\$ 4,532,268
Net income	_____	_____	_____	200,602	200,602
Balance at September 30, 2022	2,312,887	\$ 23,129	\$ 12,885,841	\$ (8,176,100)	\$ 4,732,870
Net income	_____	_____	_____	341,312	341,312
Balance at December 31, 2022	<u>2,312,887</u>	<u>\$ 23,129</u>	<u>\$ 12,885,841</u>	<u>\$ (7,834,788)</u>	<u>\$ 5,074,182</u>

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

UNIVERSAL SECURITY INSTRUMENTS, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	<u>Nine Months Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES:		
Net Income	\$ 80,881	\$ 435,776
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,426	14,846
Changes in operating assets and liabilities:		
Decrease in accounts receivable and amount due from factor	311,821	98,698
(Increase) Decrease in inventories, prepaid expenses	(1,050,814)	1,719,546
Increase (Decrease) in accounts payable and accrued expenses	<u>874,648</u>	<u>(1,921,596)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	225,962	347,270
FINANCING ACTIVITIES:		
Net (repayment) borrowing - Line of Credit – Factor	(338,286)	314,150
Repayment of Note Payable – Eyston Company Ltd	<u>—</u>	<u>(900,000)</u>
NET CASH USED IN FINANCING ACTIVITIES	(338,286)	(585,850)
NET DECREASE IN CASH	(112,324)	(238,580)
Cash at beginning of period	<u>151,502</u>	<u>438,735</u>
CASH AT END OF PERIOD	\$ 39,178	\$ 200,155
SUPPLEMENTAL INFORMATION:		
Interest paid	\$ 120,315	\$ 200,776

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

UNIVERSAL SECURITY INSTRUMENTS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Statement of Management

The condensed consolidated financial statements include the accounts of Universal Security Instruments, Inc. (USI or the Company) and its wholly owned subsidiaries. Except for the condensed consolidated balance sheet as of March 31, 2023, which was derived from audited financial statements, the accompanying condensed consolidated financial statements are unaudited. Significant inter-company accounts and transactions have been eliminated in consolidation. In the opinion of the Company's management, the interim condensed consolidated financial statements include all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (US-GAAP) have been condensed or omitted. The interim condensed consolidated financial statements should be read in conjunction with the Company's March 31, 2023, audited financial statements filed with the Securities and Exchange Commission on Form 10-K as filed on July 14, 2023. The interim operating results are not necessarily indicative of the operating results for the full fiscal year.

Line of Credit – Factor

In 2015, the Company entered into a Factoring Agreement (the Agreement) with Merchant for the purpose of factoring the Company's trade accounts receivable and to provide financing secured by finished goods inventory. Under the Agreement the Company may borrow eighty percent (80%) of eligible accounts receivable.

The Agreement has been extended and now expires on January 6, 2026, and provides for continuation of the program for successive two-year periods until terminated by one of the parties to the Agreement. As of December 31, 2023, the Company had borrowings under the Agreement of approximately \$ 1,121,000. As of December 31, 2023, and 2022 the Company had the availability to borrow approximately \$ 355,000, and \$ 0, respectively, under the Agreement. Advances on factored trade accounts receivable are secured by the Company's trade accounts receivable and inventories, are repaid periodically as collections are made by Merchant but are otherwise due upon demand, and bear interest at the prime commercial rate of interest, as published, plus two percent (Effective rate 10.50 % on December 31, 2023). Advances under the factoring agreement are made at the sole discretion of Merchant, based on their assessment of the receivables, inventory and our financial condition at the time of each request for an advance.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with US-GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

Revenue Recognition

The Company's primary source of revenue is the sale of safety and security products based upon purchase orders or contracts with customers. Revenue is recognized at a point in time once the Company has determined that the customer has obtained control over the product. Control is typically deemed to have been transferred to the customer when the product is shipped or delivered to the customer. Customers may not return, exchange, or refuse acceptance of goods without our approval. Generally, the Company does not grant extended payment terms. Shipping and handling costs associated with outbound freight, after control over a product has transferred to a customer, are accounted for as a cost to complete the sale, and are recorded in selling, general, and administrative expense. Remaining performance obligations represent the transaction price of firm orders for satisfied or partially satisfied performance obligations on contracts with an original expected duration of one year or more. The Company's contracts are predominantly short-term in nature with a contract term of one year or less. For those contracts, the Company has utilized the practical expedient in ASC Topic 606 exempting the Company from disclosure of the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

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The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for products sold. Purchase orders may contain stand-alone pricing applied to each of the multiple products ordered. Revenue is recorded at the transaction price net of estimates of variable consideration. The Company uses the expected value method based on historical data in considering the impact of estimates of variable consideration, which may include trade discounts, allowances, product returns (including rights of return) or warranty replacements. Estimates of variable consideration are included in revenue to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

We have established a provision to cover anticipated credit losses based upon historical experience.

Disaggregation of Revenue

The Company presents below revenue associated with sales of products acquired from Eyston Company Ltd. (Eyston) separately from revenue associated with sales of ground fault circuit interrupters (GFCI's) and ventilation fans. The Company believes this disaggregation best depicts how our various product lines perform and are affected by economic factors. Revenue recognized by these categories for the three and nine months ended December 31, 2023, and 2022 are as follows:

	Three months ended		Nine months ended	
	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Sales of products acquired from Eyston	\$ 4,066,699	\$ 4,770,373	\$ 12,861,878	\$ 13,508,260
Sales of GFCI's and ventilation fans	588,279	988,288	2,209,326	2,742,846
	<u>\$ 4,654,978</u>	<u>\$ 5,758,661</u>	<u>\$ 15,071,204</u>	<u>\$ 16,251,106</u>

Concentrations

The Company is primarily a distributor of safety products for use in home and business under both its trade names and private labels for other companies. The Company acquires all of the smoke alarm and carbon monoxide alarm safety products that it sells from Eyston Company, Ltd. The Company had three customers in the nine-month period ended December 31, 2023, that represented 15.7 %, 15.0 %, and 13.0 % of the Company's net sales. These three customers represented 10.1 %, 10.7 %, and 18.6 % of the Company's net sales, respectively in the three-month period ended December 31, 2023.

The Company had one customer in the three and nine-month periods ended December 31, 2022, that represented 30.5 % and 17.8 % of the Company's net sales.

Related Party Transactions

During the three and nine-month periods ended December 31, 2023, inventory purchases and other company expenses of approximately \$ 421,000 and \$ 1,121,000 respectively, were charged to credit card accounts of Harvey B. Grossblatt, the Company's Chief Executive Officer and certain of his immediate family members. During the three and nine-month periods ended December 31, 2022, inventory purchases and other company expenses of approximately \$ 523,000 and \$ 1,513,000 respectively, were charged to credit card accounts of Harvey B. Grossblatt, the Company's Chief Executive Officer and certain of his immediate family members. The Company subsequently reimbursed these charges in full. Mr. Grossblatt receives mileage benefits from these charges. The maximum amount outstanding and due to Mr. Grossblatt at any point during the nine-month period ended December 31, 2023, and 2022 amounted to \$ 167,435 and \$ 217,066, respectively. The amount due to Mr. Grossblatt at December 31, 2023 amounted to approximately \$ 63,000.

Receivables

Receivables are recorded when the Company has an unconditional right to consideration. We have established a provision for credit losses based upon historical experience.

Income Taxes

We calculate our interim tax provision in accordance with the guidance for accounting for income taxes in interim periods. We estimate the annual effective tax rate and apply that tax rate to our ordinary quarterly pre-tax income. The tax expense or benefit related to discrete events during the interim period is recognized in the interim period in which those events occurred.

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The Company recognizes a liability or asset for the deferred tax consequences of temporary differences between the tax basis of assets or liabilities and their reported amounts in the condensed consolidated financial statements. These temporary differences may result in taxable or deductible amounts in future years when the reported amounts of the assets or liabilities are recovered or settled.

Management reviews net operating loss carry forwards and income tax credit carry forwards to evaluate if those amounts are recoverable. After a review of projected taxable income, the components of the deferred tax asset, and the current global economic conditions including unresolved supply chain issues related to the acquisition of electronic microchips, it was determined that it is more likely than not that the tax benefits associated with the remaining components of the deferred tax assets will not be realized. This determination was made based on the Company's prior history of losses from operations and the uncertainty as to whether the Company will generate sufficient taxable income to use the deferred tax assets prior to their expiration. Accordingly, a valuation allowance was established to fully offset the value of the deferred tax assets. Our ability to realize the tax benefits associated with the deferred tax assets depends primarily upon the timing of future taxable income and the expiration dates of the components of the deferred tax assets. If sufficient future taxable income is generated, we may be able to offset a portion of future tax expenses.

The Company follows ASC 740-10 which provides guidance for tax positions related to the recognition and measurement of a tax position taken or expected to be taken in a tax return and requires that we recognize in our condensed consolidated financial statements the impact of a tax position, if that position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, related to income tax matters are recorded as income tax expenses.

Accounts Receivable and Amount Due From Factor

The Company assigns the majority of its short-term receivables arising in the ordinary course of business to our factor. At the time a receivable is assigned to our factor the credit risk associated with the credit worthiness of the debtor is assumed by the factor. The Company continues to bear any credit risk associated with sales to customers that are denied credit by the factor, dispute delivery, and/or have warranty issues related to the products sold.

Management assesses the credit risk of both its trade accounts receivable and its financing receivables based on the specific identification of accounts. A provision for credit losses is provided based on that assessment. Changes in the provision are charged to operations in the period the change is determined. Amounts ultimately determined to be uncollectible are eliminated from the receivable accounts and from the provision for credit losses in the period that the receivables' status is determined to be uncollectible.

Based on the nature of the factoring agreement and prior experience, no provision for credit losses related to Amounts Due from Factor has been provided. At December 31, 2023 and March 31, 2023 a provision for credit losses of approximately \$ 157 ,000 has been provided for uncollectible trade accounts receivable.

Earnings per Common Share

Basic earnings per common share is computed based on the weighted average number of common shares outstanding during the periods presented. Diluted earnings per common share is computed based on the weighted average number of common shares outstanding plus the effect of stock options and other potentially dilutive common stock equivalents. The dilutive effect of stock options and other potentially dilutive common stock equivalents is determined using the treasury stock method based on the Company's average stock price. There were no potentially dilutive common stock equivalents outstanding during the three and nine months ended December 31, 2023, or 2022. As a result, basic and diluted weighted average common shares outstanding are identical for the three and nine months ended December 31, 2023, and 2022.

Contingencies

From time to time, the Company is involved in various claims and routine litigation matters. In the opinion of management, after consultation with legal counsel, the outcomes of such matters are not anticipated to have a material adverse effect on the Company's condensed consolidated financial position, results of operations, or cash flows in future years.

Leases

The Company is a lessee in lease agreements for office space. Certain of the Company's leases contain provisions that provide for one or more options to terminate or extend the lease at the Company's sole discretion. The Company's leases are comprised of fixed lease payments, with its real estate leases including lease payments subject to a rate or index which may be variable. Certain real estate leases also include executory costs such as common area maintenance (non-lease component). As a practical expedient permitted under ASC 842, the Company has elected to account for the lease and non-lease components as a single lease component. The Company utilizes certain practical expedients for short-term leases, including the election not to reassess its prior conclusions about lease identification, lease classification and initial direct costs, as well as the election not to separate lease and non-lease components for arrangements where the Company is a lessee. Lease payments, which may include lease components and non-lease components, are included in the measurement of the Company's lease liabilities to the extent that such payments are either fixed amounts or variable lease amounts based on a rate or index (fixed in substance) as stipulated in the lease contract.

Effective March 2022, we extended our operating lease for a 15,000 square foot office and warehouse located in Baltimore County, Maryland to expire in April 2025 subject to a right to terminate the lease if the Company enters into a binding agreement to sell the assets of the Company. No option to continue the lease beyond April 2025 has been provided in the lease extension. Monthly rental expense, with common area maintenance, currently approximates \$ 15,000 and increases 3.0 % per year.

None of the Company's lease agreements contain any residual value guarantees or material restrictive covenants. As a result of the Company's election of the package of practical expedients permitted within ASC 842, which among other things, allows for the carryforward of historical lease classification, all of the Company's lease agreements in existence at the date of adoption that were classified as operating leases under ASC 840 have been classified as operating leases under ASC 842. Lease expense for payments related to the Company's operating leases is recognized on a straight-line basis over the related lease term, which includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Right-of-use assets represent the Company's right to use an underlying asset during the lease term and lease liabilities represent the Company's obligation to make lease payments as specified in the lease. Right-of-use assets and lease liabilities related to the Company's operating leases are recognized at the lease commencement date based on the present value of the remaining lease payments over the lease term and amounted to approximately \$ 485,000 at the date of adoption and increased by approximately \$ 468,000 effective with the lease amendment and extension dated March 2022. When the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available surrounding the Company's borrowing rates at the lease commencement date in determining the present value of lease payments. The right-of-use asset also includes any lease payments made at or before lease commencement less any lease incentives. As of December 31, 2023, the Company had right-of-use assets of \$ 194,704 and lease liabilities of \$ 210,140 related to its operating leases. Right-of-use assets are included in property and equipment, net, on the consolidated balance sheet and lease liabilities related to the Company's operating leases are included in short-term and long-term lease liability on the consolidated balance sheet. As of December 31, 2023, the Company's weighted-average remaining lease term and weighted-average discount rate related to its operating leases is one year, four months and 5.5 %, respectively. During the nine-month period ended December 31, 2023, the cash paid for amounts included in the measurement of lease liabilities related to the Company's operating leases was \$ 116,918 , which is included as an operating cash outflow within the condensed consolidated statements of cash flows. During the nine-month period ended December 31, 2023, the operating lease costs related to the Company's operating leases was \$ 116,918 which is included in operating costs and expenses in the consolidated statements of income.

The future minimum payments under operating leases are as follows for the fiscal periods ended March 31:

2024	\$ 38,943
2025	160,567
2026	13,381
Total operating lease payments	\$ 212,891
Less: amounts representing interest	(2,751)
Present value of net operating lease payments	\$ 210,140
Less: current portion	156,851
Long-term portion of operating lease obligations	<u>\$ 53,289</u>

Recently Adopted Accounting Standards

Changes to US-GAAP are established by the Financial Accounting Standards Board (FASB) in the form of Accounting Standards Updates (ASU's) to the FASB's Accounting Standards Codification. The Company considers the applicability and impact of all ASU's. Management adopted ASU 2016-02 related to credit losses effective April 1, 2023. Management determined that adoption of the guidance of the ASU did not have a material impact on the consolidated financial statements on the date of adoption or for the nine-month period ended December 31, 2023.

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

As used throughout this Report, "we," "our," "the Company" "USI" and similar words refers to Universal Security Instruments, Inc.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain forward-looking statements reflecting our current expectations with respect to our operations, performance, financial condition, and other developments. These forward-looking statements may generally be identified by the use of the words "may", "will", "believes", "should", "expects", "anticipates", "estimates", and similar expressions. These statements are necessarily estimates reflecting management's best judgment based upon current information and involve a number of risks and uncertainties. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and readers are advised that various factors could affect our financial performance and could cause our actual results for future periods to differ materially from those anticipated or projected. While it is impossible to identify all such factors, such factors include, but are not limited to, those risks identified in our periodic reports filed with the Securities and Exchange Commission.

OVERVIEW

We are in the business of marketing and distributing safety and security products. Our financial statements detail our sales and other operational results for the three and nine-month periods ended December 31, 2023, and 2022.

The Company has developed products based on new smoke and gas detection technologies, with what the Company believes are improved sensing technology and product features. Most of our new technologies and features have been trademarked under the trade name IoPhic.

Changes in international trade duties and other aspects of international trade policy, both in the U.S. and abroad, could materially impact the cost of our products. All of our products are imported from the Peoples Republic of China (PRC). To date, only certain of our products such as Carbon Monoxide and Photoelectric alarms, and certain wiring devices, have been subjected to tariffs of 25%. We are monitoring these developments and will determine our strategies as additional information becomes available. Any increase in tariffs that is not offset by an increase in our sales prices could have an adverse effect on our business, financial position, results of operations or cash flows.

RESULTS OF OPERATIONS

Three Months Ended December 31, 2023 and 2022

Sales. Net sales for the three months ended December 31, 2023, were \$4,654,978 compared to \$5,758,661 for the comparable three months in the prior year, a decrease of \$1,103,683 (19.2%). Sales decreased principally due to the timing of orders and delays in both manufacturing, due to supply chain disruptions, and to delays in shipping and handling of containers at California ports of entry. While delays in manufacturing and shipping have improved somewhat over the past fiscal year, we continue to experience significant delays in receiving inventory for sale.

Gross Profit Margin. Gross profit margin is calculated as net sales less cost of goods sold expressed as a percentage of net sales. Our gross profit margin was 32.3% and 29.5% of sales for the quarters ended December 31, 2023, and 2022, respectively. Gross margins for the three-month period ended December 31, 2023, increased principally due to variations in the mix of products sold.

Expenses. Selling, general and administrative expenses were \$1,310,872 for the three months ended December 31, 2023, compared to \$1,178,502 for the comparable three months in the prior year. As a percentage of net sales, these expenses increased to 28.2% for the three-month period ended December 31, 2023, from 20.5% for the 2022 period. These expenses increased as a percentage of net sales principally since net sales were lower while selling, general, and administrative expenses do not decrease in direct proportion to a decrease in sales.

Engineering and product development expenses were \$77,295 for the three-month period ended December 31, 2023, and \$101,670 for the comparable quarter of the prior year, a \$24,375 (24.0%) decrease. These expenses decreased primarily due to a reduction in product development costs.

Interest Income (Expense). Interest income of \$24,746 was recorded in the three months ended December 31, 2023 on refunded customs charges. Our interest expense was \$36,310 for the quarter ended December 31, 2023, compared to interest expense of \$76,755 for the quarter ended December 31, 2022. Interest expense is dependent upon the total amounts borrowed from the Factor and changes in interest rates during the period as compared to the corresponding period of the prior year.

Net Income. We reported net income of \$102,176 for the quarter ended December 31, 2023, compared to a net income of \$341,312 for the corresponding quarter of the prior fiscal year, a \$239,136 (70.1%) decrease in net income.

Nine Months Ended December 31, 2023 and 2022

Sales. Net sales for the nine months ended December 31, 2023, were \$15,071,204 compared to \$16,251,106 for the comparable nine months in the prior period, a decrease of \$1,179,902 (7.3%). Sales decreased principally due to the timing of orders and delays in both manufacturing, due to supply chain disruptions, and to delays in shipping and handling of containers at California ports of entry. While delays in manufacturing and shipping have improved somewhat over the past fiscal year, we continue to experience significant delays in receiving inventory for sale.

Gross Profit Margin. The gross profit margin is calculated as net sales less cost of goods sold expressed as a percentage of net sales. The Company's gross profit margin was 30.0% for the period ended December 31, 2023, and 28.8% for the period ended December 31, 2022. Gross margins were impacted principally during the nine month period ended December 31, 2023, by variations in the mix of products sold.

Expenses. Selling, general and administrative expenses were \$4,068,162 for the nine months ended December 31, 2023, compared to \$3,750,348 for the comparable nine months in the prior year. As a percentage of sales, these expenses were 27.0% for the nine-month period ended December 31, 2023, and 23.1% for the comparable 2022 period. As previously referred to above, these expenses increased principally as a result of recording additional product liability insurance costs due to increased sales exposure in the prior fiscal year and due to increased expenditures for selling administrative costs.

Engineering and product development expenses were comparable at \$273,673 for the nine months ended December 31, 2023, to \$294,177 for the comparable period of the prior year.

Interest Income (Expense). Interest income of \$24,746 was recorded on refunded customs charges for the nine-month period ended December 31, 2023. Our interest expense was \$120,315 for the nine months ended December 31, 2023, compared to interest expense of \$200,776 for the nine months ended December 31, 2022. Interest expense is dependent upon the total amounts borrowed from the Factor and changes in interest rates during the period as compared to the corresponding period of the prior year.

Net Income. We reported net income of \$80,881 for the nine months ended December 31, 2023, compared to a net income of \$435,776 for the corresponding period of the prior fiscal year, a decrease in net income of \$354,895 (81.4%).

Operating activities provided cash of \$225,962 for the nine months ended December 31, 2023. This was primarily due to a decrease in accounts receivable and amount due from factor of \$311,821, and an increase in accounts payable and accrued expenses of \$874,648, and partially offset by an increase in inventories, prepaid expenses of \$1,050,814 and net income of \$80,881. Operating activities provided cash of \$347,270 for the nine months ended December 31, 2022. This was primarily due to net income of \$435,776, a decrease in inventories and prepaid expenses of \$1,719,546, and a decrease in accounts receivable and amount due from factor of \$98,698. This was partially offset by a decrease in accounts payable and accrued expenses of \$1,921,596.

There were no investing activities for the nine months ended December 31, 2023, or 2022.

Financing activities used cash of \$338,286 during the nine months ended December 31, 2023, which is comprised of repayments net of borrowings from the factor. Financing activities used cash of \$585,850 during the nine months ended December 31, 2022, from net borrowing in excess of repayments from the factor of \$314,150, offset by repayments of the note payable to Eyston Company, Ltd. of \$900,000.

Liquidity and Capital Resources

The Company believes its balances of cash, funds available to borrow under the terms of its factoring agreement, and cash generated by ongoing operations will be sufficient to satisfy its cash requirements over the next twelve months and beyond. The Company's contractual cash requirements have not changed materially since it filed its Form 10-K for the period ended March 31, 2023.

CRITICAL ACCOUNTING POLICIES

In the notes to the consolidated financial statements, and in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Form 10-K, we have disclosed those accounting policies that we consider to be significant in determining our results of Operations and financial condition. There have been no material changes to those policies that we consider to be significant since the filing of our Form 10-K. The accounting principles used in preparing our unaudited condensed consolidated financial statements conform in all material respects to accounting principles generally accepted in the United States of America.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures (as such item is defined in Rules 13a – 15(e) and 15d – 15(e) of the Exchange Act) that is designed to provide reasonable assurance that information, which is required to be disclosed by us in the reports that we file or submit under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and is accumulated and communicated to management in a timely manner. Our Chief Executive Officer and Chief Financial Officer have evaluated this system of disclosure controls and procedures in accordance with applicable Securities and Exchange Commission guidance as of the end of the period covered by this annual report and have concluded that disclosure controls and procedures were not effective.

A material weakness arose in the management review controls over classification of and disclosure of amounts within the financial statements. The Company plans to remediate the material weakness by clarification of the classification of amounts and inclusion of the required disclosures.

A material weakness in the management review controls over the classification of and accounting for income taxes. The Company plans to remediate the material weakness by clarification of the classification of amounts and inclusion of the required disclosures.

Changes in Internal Control over Financial Reporting

There have been no other changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting during the quarter ended December 31, 2023.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company is involved in various lawsuits and legal matters. It is the opinion of management, based on the advice of legal counsel, that these matters will not have a material adverse effect on the Company's financial statements.

ITEM 5. OTHER INFORMATION

As previously announced, while the Company continues to generate sufficient capital to satisfy the ongoing cash requirements for its current operations, management believes that access to additional funding or other resources, or identifying the right strategic business combination, would allow the Company to drive long term value for its shareholders while taking advantage of sales growth opportunities that the Company seeks to execute. Management believes that it would be advantageous to the Company and its shareholders to explore strategic alternatives as the Company pursues additional sources of capital. There is no deadline or definitive timetable set for completion of the strategic alternatives process, and there can be no assurance any proposal will be made or accepted, any agreement will be executed, or any transaction will be consummated.

ITEM 6. EXHIBITS

Exhibit No.

3.1	Articles of Incorporation (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 1988, File No. 1-31747)
3.2	Articles Supplementary, filed October 14, 2003 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed October 31, 2002, file No. 1-31747)
3.3	Bylaws, as amended (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed July 13, 2011, File No. 1-31747)
10.1	2011 Non-Qualified Stock Option Plan (incorporated by reference to the Company's Proxy Statement with respect to the Company's 2011 Annual Meeting of Shareholders, filed July 26, 2011, File No. 1-31747)
10.2	Discount Factoring Agreement between the Registrant and Merchant Factors Corp., dated January 6, 2015 (substantially identical agreement entered into by USI's wholly-owned subsidiary, USI Electric, Inc.) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 16, 2015, file No. 1-31747)
10.3	Lease between Universal Security Instruments, Inc. and St. John Properties, Inc. dated November 4, 2008 for its office and warehouse located at 11407 Cronhill Drive, Suites A-D, Owings Mills, Maryland 21117 (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2008, File No. 1-31747)
10.4	Amendment to Lease between Universal Security Instruments, Inc. and St. John Properties, Inc. dated June 23, 2009 (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended March 31, 2009, File No. 1-31747)
10.5	Amended and Restated Employment Agreement dated July 18, 2007 between the Company and Harvey B. Grossblatt (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2007, File No. 1-31747), as amended by Addendum dated November 13, 2007 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 15, 2007, File No. 1-31747), by Addendum dated September 8, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 8, 2008, File No. 1-31747), by Addendum dated March 11, 2010 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 12, 2010, File No. 1-31747), by Addendum dated July 19, 2012 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 20, 2012, File No. 1-31747), by Addendum dated July 3, 2013 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 8, 2013, File No. 1-31747), and by Addendum dated July 21, 2014 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 21, 2014, File No. 1-31747), by addendum dated July 23, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 28, 2015, File No. 1-31747), by addendum dated July 12, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 12, 2016, File No. 1-31747), by addendum dated July 18, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July

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	<u>20, 2017, File No. 1-31747), and by addendum dated July 9, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 9, 2018, File No. 1-31747), by addendum dated July 12, 2019 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 16, 2019, file No. 1-31747), by addendum dated July 27, 2020 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 27, 2020, file No. 1-31747), by addendum dated July 18, 2021 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 28, 2021, file No. 1-31747), by addendum dated July 22, 2022 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 28, 2022, file No. 1-31747), and by addendum dated June 12, 2023 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 13, 2023, file No. 1-31747).</u>
31.1	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer*</u>
31.2	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer*</u>
32.1	<u>Section 1350 Certifications*</u>
99.1	<u>Press Release dated February 20, 2024</u>
101	Interactive data files providing financial information from the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 2023 in XBRL (eXtensible Business Reporting Language) pursuant to Rule 405 of Regulation S-T: (i) Condensed Consolidated Balance Sheets as of December 31, 2023 and March 31, 2023, (ii) Condensed Consolidated Statements of Income for the three and nine months ended December 31, 2023 and 2022, (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended December 31, 2023 and 2022, (v) Condensed Consolidated Statements of Shareholders' Equity for the nine months ended December 31, 2023 and 2022, and (vi) Notes to Condensed Consolidated Financial Statements*

* Filed herewith

SIGNATURES

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

UNIVERSAL SECURITY INSTRUMENTS, INC.
(Registrant)

Date: February 20, 2024

By: /s/ Harvey B. Grossblatt

Harvey B. Grossblatt
President, Chief Executive Officer

By: /s/ James B. Huff

James B. Huff
Vice President, Chief Financial Officer

CERTIFICATION

I, Harvey B. Grossblatt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Universal Security Instruments, 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 Registrant's board of directors (or persons performing the equivalent function):

- (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.

February 20, 2024

/s/ Harvey B. Grossblatt
Harvey B. Grossblatt
Chief Executive Officer

CERTIFICATION

I, James B. Huff, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Universal Security Instruments, 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 Registrant's board of directors (or persons performing the equivalent function):

- (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.

February 20, 2024

/s/ James B. Huff
James B. Huff
Chief Financial Officer

SECTION 1350 CERTIFICATIONS

In connection with the Quarterly Report of Universal Security Instruments, Inc. (the "Company") on Form 10-Q for the period ending December 31, 2023, as filed with the Securities and Exchange Commission and to which this Certification is an exhibit (the "Report"), the undersigned hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company for the periods reflected therein.

February 20, 2024

/s/ Harvey B. Grossblatt

Harvey B. Grossblatt
Chief Executive Officer

/s/ James B. Huff

James B. Huff
Chief Financial Officer



For Immediate Release

Contact: Harvey Grossblatt, CEO
Universal Security Instruments, Inc.
(410) 363-3000, Ext. 224

or

Zachary Mizener
Lambert & Co.
(315) 529-2348

Universal Security Instruments Reports Third-Quarter Results

OWINGS MILLS, Md. February 20, 2024 - Universal Security Instruments, Inc. (NYSE AMEX: UUU) today announced results for its fiscal third quarter and nine months ended December 31, 2023.

For the three months ended December 31, 2023, sales decreased 19.2% to \$4,654,978 compared to sales of \$5,758,661 for the same period last year. The Company reported net income of \$102,176, or \$0.04 per basic and diluted share, compared to net income of \$341,312 or \$0.15 per basic and diluted share for the same period last year.

For the nine months ended December 31, 2023, sales decreased 7.3% to \$15,071,204 versus \$16,251,106 for the same period last year. The Company reported net income of \$80,881, or \$0.03 per basic and diluted share, compared to net income of \$435,776 or \$0.19, per basic and diluted share for the corresponding 2022 period.

"The primary reason for the sales decreases during the three and nine-month periods ended December 31, 2023, was supply chain difficulties in getting sufficient product to cover orders during our third fiscal quarter." said Harvey Grossblatt - President and CEO.

UNIVERSAL SECURITY INSTRUMENTS, INC. is a U.S.-based manufacturer and distributor of safety and security devices. Founded in 1969, the Company has an over 55-year heritage of developing innovative and easy-to-install products, including smoke, fire and carbon monoxide alarms. For more information on Universal Security Instruments, visit our website at www.universalsecurity.com.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Certain matters discussed in this news release may constitute forward-looking statements within the meaning of the federal securities laws that inherently include certain risks and uncertainties. Actual results could differ materially from those projected in or contemplated by the forward-looking statements due to a number of factors, including, among other items, currency fluctuations, the impact of current and future laws and governmental regulations affecting us and other factors which may be identified from time to time in our Securities and Exchange Commission filings and other public announcements. We do not undertake and specifically disclaim any obligation to update any forward-looking statements to reflect occurrence of anticipated or unanticipated events or circumstances after the date of such statements. We will revise our outlook from time to time and frequently will not disclose such revisions publicly.

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UNIVERSAL SECURITY INSTRUMENTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UAUNAUDITED)

	Three Months Ended December 31,	
	2023	2022
Sales	\$ 4,654,978	\$ 5,758,661
Net income	102,176	341,312
Earnings per share:		
Basic and diluted	\$ 0.04	\$ 0.15
Weighted average number of common shares outstanding:		
Basic and diluted	2,312,887	2,312,887
	Nine Months Ended December 31,	
	2023	2021
Sales	\$ 15,071,204	\$ 16,251,106
Net income	80,881	435,776
Earnings per share:		
Basic and diluted	\$ 0.03	\$ 0.19
Weighted average number of common shares outstanding:		
Basic and diluted	2,312,887	2,312,887

CONDENSED CONSOLIDATED BALANCE SHEETS
(UAUNAUDITED)

	Dec. 31, 2023	Dec. 31, 2022
ASSETS		
Cash	\$ 39,178	\$ 200,155
Accounts receivable and amount due from factor	3,353,127	3,991,415
Inventory	4,880,508	4,437,580
Prepaid expense	399,318	313,277
TOTAL CURRENT ASSETS	8,672,131	8,942,427
PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS–NET	231,823	395,278
OTHER ASSETS	—	4,000
TOTAL ASSETS	\$ 8,903,954	\$ 9,341,705
LIABILITIES AND SHAREHOLDERS' EQUITY		
Line of credit – factor	\$ 1,121,064	\$ 2,471,236
Note payable – Eyston Company Ltd.	—	181,440
Short-term portion of operating lease liability	156,851	149,408
Accounts payable	1,878,990	1,061,517
Accrued liabilities	254,062	193,783
TOTAL CURRENT LIABILITIES	3,410,967	4,057,384
LONG TERM PORTION OF OPERATING LEASE LIABILITY	53,289	210,139
TOTAL LONG-TERM LIABILITIES	53,289	210,139
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, \$.01 par value per share; authorized 20,000,000 shares; issued and outstanding 2,312,887 at December 31, 2023 and 2022	23,129	23,129
Additional paid-in capital	12,885,841	12,885,841
Accumulated Deficit	(7,469,272)	(7,834,788)
TOTAL SHAREHOLDERS' EQUITY	5,439,698	5,074,182
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 8,903,954	\$ 9,341,705