REFINITIV

DELTA REPORT

10-Q

MICS - SINGING MACHINE CO INC

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	755
CHANGES	125
DELETIONS	234
ADDITIONS	396

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 March 31, June 30, 2024

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: 001-41405

THE SINGING MACHINE COMPANY, INC.
(Exact name of registrant as specified in its charter)

Delaware	**95-3795478**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

6301 NW 5th Way, Suite 2900, Fort Lauderdale, FL	**33309**	**(954) 596-1000**
(Address of principal executive offices)	(Zip Code)	(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value per share	MICS	NASDAQ Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	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. ☐

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

As of May 15, 2024 August 16, 2024, there were 6,418,061 9,736,850 shares of the issuer's common stock, $0.01 $0.01 par value per share, outstanding.

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THE SINGING MACHINE COMPANY, INC.
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The Singing Machine Company, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
	(Unaudited)		(Unaudited)	
Assets				
Current Assets				
Cash	$ 4,125,000	$ 6,703,000	$ 1,245,000	$ 6,703,000
Accounts receivable, net of allowances of $275,000 and $174,000, respectively	3,305,000	7,308,000		
Accounts receivable, net of allowances of $86,919 and $174,000, respectively			2,349,000	7,308,000
Due from Oxford Bank			187,000	-
Accounts receivable related parties	133,000	269,000	414,000	269,000
	414,000	269,000		
Inventory	6,493,000	6,871,000	6,910,000	6,871,000
Returns asset	1,262,000	1,919,000	619,000	1,919,000
Prepaid expenses and other current assets	214,000	136,000	67,000	136,000
Total Current Assets	15,532,000	23,206,000	11,791,000	23,206,000
Property and equipment, net	352,000	404,000	305,000	404,000
Operating leases - right of use assets	3,841,000	3,926,000	178,000	3,926,000
Other non-current assets	179,000	179,000	93,000	179,000
Total Assets	$ 19,904,000	$ 27,715,000	$ 12,367,000	$ 27,715,000
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payable	$ 3,947,000	$ 7,616,000	$ 3,676,000	$ 7,616,000
Accrued expenses	2,315,000	2,614,000	1,842,000	2,614,000
Refund due to customer	1,443,000	1,743,000	1,171,000	1,743,000

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Customer prepayments	408,000	687,000	38,000	687,000
Reserve for sales returns	2,419,000	3,390,000	2,174,000	3,390,000
Other current liabilities	58,000	75,000	37,000	75,000
Current portion of operating lease liabilities	55,000	84,000	165,000	84,000
Total Current Liabilities	10,645,000	16,209,000	9,103,000	16,209,000
Other liabilities, net of current portion	-	3,000	-	3,000
Operating lease liabilities, net of current portion	4,029,000	3,925,000	4,136,000	3,925,000
Total Liabilities	14,674,000	20,137,000	13,239,000	20,137,000
Commitments and Contingencies				
Shareholders' Equity				
Shareholders' (Deficit) Equity				
Preferred stock, $1.00 par value; 1,000,000 shares authorized; no shares issued and outstanding	-	-	-	-
Common stock $0.01 par value; 100,000,000 shares authorized; 6,418,061 issued and outstanding at March 31, 2024 and December 31, 2023, respectively	64,000	64,000		
Common stock $0.01 par value; 100,000,000 shares authorized; 7,418,061 issued and 6,418,061 shares outstanding at June 30, 2024 and 6,418,061 issued and outstanding at December 31, 2023.			64,000	64,000
Additional paid-in capital	33,448,000	33,429,000	33,465,000	33,429,000
Accumulated deficit	(28,282,000)	(25,915,000)	(34,401,000)	(25,915,000)
Total Shareholders' Equity	5,230,000	7,578,000		
Total Liabilities and Shareholders' Equity	$ 19,904,000	$ 27,715,000		

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Total Shareholders' (Deficit) Equity	(872,000)	7,578,000
Total Liabilities and Shareholders' (Deficit) Equity	$ 12,367,000	$ 27,715,000

See notes to the condensed consolidated financial statements

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The Singing Machine Company, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023		
	Three Months Ended		For the Three Months Ended		For the Six Months Ended	
	March 31, 2024	March 31, 2023	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net Sales	$ 2,426,000	$ 3,383,000	$ 2,440,000	$ 2,625,000	$ 4,866,000	$ 6,008,000
Cost of Goods Sold	1,924,000	2,564,000	2,116,000	2,096,000	4,040,000	4,659,000
Gross Profit	502,000	819,000	324,000	529,000	826,000	1,349,000
Operating Expenses						
Selling expenses	630,000	812,000	547,000	445,000	1,177,000	1,257,000
General and administrative expenses	2,159,000	2,153,000	2,053,000	2,515,000	4,212,000	4,670,000
Operating lease impairment expense			3,878,000	-	3,878,000	-
Total Operating Expenses	2,789,000	2,965,000	6,478,000	2,960,000	9,267,000	5,927,000
Loss from Operations	(2,287,000)	(2,146,000)	(6,154,000)	(2,431,000)	(8,441,000)	(4,578,000)
Other (Expenses) Income						

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Gain from Employee Retention Credit Program refund	-	704,000	-	-	-	704,000
Other Expense	-	(1,000)				
Interest expense	(28,000)	(40,000)	(17,000)	(29,000)	(45,000)	(69,000)
Total Other (Expenses) Income, net	(28,000)	663,000	(17,000)	(29,000)	(45,000)	635,000
Loss Before Income Tax Provision	(2,315,000)	(1,483,000)				
Loss Before Income Tax Benefit (Provision)			(6,171,000)	(2,460,000)	(8,486,000)	(3,943,000)
Income Tax Provision	(52,000)	(1,502,000)				
Income Tax Benefit (Provision)			52,000	-	-	(1,502,000)
Net Loss	$ (2,367,000)	$ (2,985,000)	$ (6,119,000)	$ (2,460,000)	$ (8,486,000)	$ (5,445,000)
Loss per Common Share						
Basic and Diluted	$ (0.37)	$ (0.96)				
Loss per common share						
Basic and diluted			$ (0.95)	$ (0.64)	$ (1.32)	$ (1.56)

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Weighted Average Common and Common Equivalent Shares:						
Basic and Diluted	6,418,061	3,114,397				
Basic and diluted			6,418,061	3,872,447	6,418,061	3,487,299

See notes to the condensed consolidated financial statements

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The Singing Machine Company, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT) EQUITY
For the Three Months Ended March 31, 2024 June 30, 2024 and 2023
(Unaudited)

	Common Stock		Additional Paid in		Accumulated	
	Shares	**Amount**	**Capital**	**Other**	**Deficit**	**Total**
Balance at March 31, 2024	**6,418,061**	**$ 64,000**	**$ 33,448,000**	**$ -**	**$ (28,282,000)**	**$ 5,230,000**
Net loss	-	-	-	-	(6,119,000)	(6,119,000)
Stock based compensation	-	-	17,000	-	-	17,000
Balance at June 30, 2024	**6,418,061**	**$ 64,000**	**$ 33,465,000**	**$ -**	**$ (34,401,000)**	**$ (872,000)**

	Common Stock		Additional Paid in		Accumulated	
	Shares	**Amount**	**Capital**	**Other**	**Deficit**	**Total**
Balance at March 31, 2023	**3,167,488**	**$ 32,000**	**$ 29,822,000**	**$ (6,000)**	**$ (19,517,000)**	**$ 10,331,000**
Net loss	-	-	-	-	(2,460,000)	(2,460,000)
Sale of common stock, net of offering costs	1,052,771	11,000	1,593,000	-	-	1,604,000
Stock based compensation	-	-	63,000	-	-	63,000
Other	-	(1,000)	1,000	6,000	-	6,000
Balance at June 30, 2023	**4,220,259**	**$ 42,000**	**$ 31,479,000**	**$ -**	**$ (21,977,000)**	**$ 9,544,000**

For the Six Months Ended June 30, 2024 and 2023
(Unaudited)

	Common Stock		Additional		Accumulated	
	Shares	**Amount**	Paid in Capital	Other	Deficit	Total
Balance at December 31, 2023	**6,418,061**	**$ 64,000**	**33,429,000**	$ -	**$ (25,915,000)**	**$ 7,578,000**
Net Income	-	-	-	-	(2,367,000)	**(2,367,000)**
Employee compensation-stock option	-	-	19,000	-	-	**19,000**
Balance at March 31, 2024	**6,418,061**	**$ 64,000**	**$ 33,448,000**	**$ -**	**$ (28,282,000)**	**$ 5,230,000**
Balance at December 31, 2022	**3,148,219**	**$ 31,000**	**$ 29,699,000**	$ -	**$ (16,532,000)**	**$ 13,198,000**
Net Income	-	-	-	-	(2,985,000)	**(2,985,000)**
Issuance of common stock	5,039	-	36,000	-	-	**36,000**
Exercise of pre-funded common stock warrants	14,230	-	14,000	-	-	**14,000**
Employee compensation-stock option	-	-	74,000	-	-	**74,000**
Other	-	1,000	(1,000)	(6,000)	-	**(6,000)**
Balance at March 31, 2023	**3,167,488**	**$ 32,000**	**$ 29,822,000**	**$ (6,000)**	**$ (19,517,000)**	**$ 10,331,000**

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	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Accumulated Deficit	Total
Balance at December 31, 2023	**6,418,061**	**$ 64,000**	**$ 33,429,000**	**$ (25,915,000)**	**$ 7,578,000**
Net loss	-	-	-	(8,486,000)	(8,486,000)
Stock based compensation	-	-	36,000	-	36,000
Balance at June 30, 2024	**6,418,061**	**$ 64,000**	**$ 33,465,000**	**$ (34,401,000)**	**$ (872,000)**
Balance at December 31, 2022	**3,148,219**	**$ 31,000**	**$ 29,698,000**	**$ (16,531,000)**	**$ 13,198,000**
Net loss	-	-	-	(5,445,000)	(5,445,000)
Sale of common stock, net of offering costs	1,057,810	11,000	1,629,000	-	1,640,000
Sale of common stock warrants	14,230	-	14,000	-	14,000
Stock based compensation	-	-	138,000	-	138,000
Other	-	-	-	(1,000)	(1,000)
Balance at June 30, 2023	**4,220,259**	**$ 42,000**	**$ 31,479,000**	**$ (21,977,000)**	**$ 9,544,000**

See notes to the condensed consolidated financial statements.

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The Singing Machine Company, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended	
	June 30, 2024	June 30, 2023
Cash flows from operating activities		
Net loss	$ (8,486,000)	(5,445,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	105,000	238,000
Provision for estimated cost of returns	1,301,000	1,820,000
Provision for inventory obsolescence	-	271,000
Credit losses	14,000	7,000
Operating lease impairment expense	3,878,000	-
Loss from disposal of property and equipment	-	3,000
Stock based compensation	36,000	138,000
Amortization of right of use assets	20,000	316,000
Change in net deferred tax assets	-	1,399,000
Changes in operating assets and liabilities:		
Accounts receivable	4,945,000	6,303,000
Due from banks	(187,000)	-
Accounts receivable - related parties	(145,000)	87,000
Inventories	(38,000)	(1,714,000)
Prepaid expenses and other current assets	69,000	(167,000)
Other non-current assets	(64,000)	(135,000)
Accounts payable	(3,940,000)	560,000
Accrued expenses	(771,000)	(1,939,000)
Customer deposits	(572,000)	-
Refunds due to customers	(649,000)	577,000
Reserve for sales returns	(1,217,000)	(2,604,000)
Operating lease liabilities	291,000	(329,000)
Net cash used in operating activities	(5,410,000)	(614,000)
Cash flows from investing activities		
Purchase of property and equipment	(6,000)	(137,000)
Net cash used in investing activities	(6,000)	(137,000)
Cash flows from financing activities		
Proceeds from sale of stock, net of offering costs	-	1,640,000
Net payments on revolving lines of credit	-	(1,761,000)
Other	(42,000)	(33,000)
Net cash used in financing activities	(42,000)	(154,000)
Net change in cash	(5,458,000)	(905,000)
Cash at beginning of year	6,703,000	2,795,000
Cash at end of period	1,245,000	1,890,000
Supplemental disclosures of cash flow information:		
Cash paid for interest	40,000	24,000
Equipment purchased under capital lease	-	55,000

See notes to the condensed consolidated financial statements

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The Singing Machine Company, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023
Cash flows from operating activities		
Net loss	$ (2,367,000)	$ (2,985,000)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	52,000	55,000
Provision for estimated cost of returns	658,000	1,380,000
Provision for inventory obsolescence	-	139,000
Credit losses	101,000	27,000
Loss from disposal of property and equipment	-	3,000
Stock based compensation	19,000	74,000
Amortization of right of use assets	84,000	87,000
Change in net deferred tax assets	-	1,399,000
Changes in operating assets and liabilities:		
Accounts receivable	3,902,000	4,922,000
Accounts receivable - related parties	136,000	43,000
Inventories	379,000	(175,000)
Prepaid expenses and other current assets	(78,000)	40,000
Other non-current assets	-	(156,000)
Accounts payable	(3,669,000)	(315,000)
Accrued expenses	(299,000)	(970,000)
Refunds due to customer	(300,000)	490,000
Prepaids from customers	(279,000)	-
Reserve for sales returns	(971,000)	(2,035,000)
Operating lease liabilities	75,000	(89,000)
Net cash (used in) provided by operating activities	(2,557,000)	1,934,000
Cash flows from investing activities		
Purchase of property and equipment	-	(95,000)
Net cash used in investing activities	-	(95,000)
Cash flows from financing activities		
Proceeds from issuance of stock, net of offering costs	-	36,000
Subscriptions receivable	-	(6,000)
Net payment on revolving lines of credit	-	(1,761,000)
Payments on installment notes	(21,000)	(19,000)
Proceeds from exercise of common stock warrants	-	14,000
Payments on finance leases	-	(3,000)
Net cash used in financing activities	(21,000)	(1,739,000)
Net change in cash	(2,578,000)	100,000
Cash at beginning of year	6,703,000	2,795,000
Cash at end of period	$ 4,125,000	$ 2,895,000
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 27,000	$ 24,000

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Non-Cash investing and financing cash flow information:		
Equipment purchased under capital lease	$ -	$ 55,000

See notes to the condensed consolidated financial statements

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NOTE 1 – NATURE OF BUSINESS

We are primarily engaged in the development, marketing, and sale of consumer karaoke audio equipment, accessories, and musical recordings. We are a global karaoke and music entertainment company that specializes in the design and production of quality karaoke and music enabled consumer products for adults and children.

The Singing Machine's operations include its wholly owned subsidiaries, SMC Logistics, Inc., a California corporation ("SMCL"), SMC-Music, Inc., a Florida corporation ("SMCM"), SMC (HK) Limited, a Hong Kong company ("SMH"), MICS Hospitality Holdings, Inc., a Delaware corporation ("MICS Hospitality"), MICS Hospitality Management, LLC, a Delaware limited liability company ("MICS Hospitality Management") and MICS Nomad, LLC, a Delaware limited liability company ("MICS NY").

NOTE 2 - RECENT DEVELOPMENTS

Change in Fiscal Year

During 2023, our Board of Directors approved a change in our fiscal year end from March 31 to December 31. Our results of operations, cash flows, and all transactions impacting shareholders' equity presented in this Quarterly Report on Form 10-Q as of March 31, 2024 June 30, 2024 are for the three-month period three and six month periods ended March 31, 2024 June 30, 2024 and March 31, 2023 2023.

ATM Offering June 2024

On June 26, 2024, the Company entered into an At-The-Market Issuance Sales Agreement (the "Sales Agreement") with Ascendiant Capital markets, LLC, as sales agent (the "Agent"), pursuant to which the Company could offer and sell, from time to time, through the Agent (the "ATM Offering"), up to approximately $1,100,000 in shares of the Company's common stock. On July 8, 2024, the Company entered into the First Amendment to the Sales Agreement (the "Amendment") to increase the number of shares to be sold in the ATM Offering to $2,020,000. On August 9, 2024, the Company entered into the Second Amendment to the Sales Agreement (the "Amendment") to increase the number of shares to be sold in the ATM Offering to $3,100,000. For the three and six months ended June 30, 2024, the Company had not yet sold any shares of its common stock from this ATM Offering. Pursuant to the agreement, the Agent is to be paid $30,000 in fees to cover legal and administrative expenses and will receive an amount equal to 3% of the gross proceeds from each sale of the Company's share of common stock. Subsequent to June 30, 2024 and through August 16, 2024 (the last trading day prior to filing), the Company sold 1,657,172 shares of common stock under the ATM offering, and received net proceeds from the ATM of approximately $1,676,000 after payment of brokerage commissions and administrative fees to the agent of approximately $51,000.

Asset Purchase

On June 11, 2024, the Company and its wholly owned subsidiary SemiCab Holdings, LLC, a Nevada limited liability company ("SemiCab LLC" and collectively with the Company, the "Buyer"), SemiCab, Inc., a Delaware corporation ("SemiCab" or the "Seller"), Ajesh Kapoor and Vivek Sehgal entered into an asset purchase agreement (the "Asset Purchase Agreement") pursuant to which the Seller agreed to sell and assign to the Company, and the Company agreed to purchase and assume from the Seller, substantially all the assets, and certain specified liabilities relating to the business of the Seller. Subject to certain exceptions set forth in the Asset Purchase Agreement, the parties agreed that the Buyer will not assume the liabilities of the Seller. SemiCab is an artificial intelligence, cloud-based collaborative transportation platform built to achieve the scalability required to predict and optimize semi-tractor trailer load efficiency.

On July 3, 2024, the parties closed on the asset purchase whereby the Company issued to the Seller (i) 641,806 shares of the Company's common stock (ii) a twenty percent (20%) membership interest in SemiCab LLC.

Pursuant to the asset acquisition agreement, the Company and Seller entered into an option agreement (the "Option Agreement"), granting the Buyer the right to acquire all of the issued and outstanding capital securities of SMCB Solutions Private Limited, a wholly owned subsidiary of the Seller, in consideration for 320,903 shares of common stock of the Company. The Option Agreement has not been exercised through the date of this filing.

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Private Placement

On November 20, 2023, the Company entered into an agreement to sell $2,000,000 in common stock through a private placement of common stock (the "Private Placement"). The Private Placement was completed with two Affiliates, (Stingray Group, Inc. and Jay Foreman), both of which were existing shareholders with Board representation. The Private Placement was completed at $0.91 per share of common stock, with a total of approximately 2,198,000 shares issued. Net proceeds from the transaction were approximately $1,900,000, net of transaction fees of approximately $100,000. During the six-month period after the closing date, the purchasers may make a written request for registration under the Securities Act of all or any portion of the shares purchased. During the six months ended June 30, 2024, Jay Foreman has made a written request to register his 1,099,000 shares.

Hospitality Lease

On August 23, 2023, MICS NY entered into an Agreement of Lease (the "Lease Agreement") with OAC 111 Flatiron, LLC and OAC Adelphi, LLC (the "Landlord"), pursuant to which MICS NY agreed to lease approximately 10,000 square feet of ground floor retail space and a portion of the basement underneath the ground floor retail space in the property located at 111 West 24th Street, New York, New York (the "Premises").

The term of the Lease Agreement is for fifteen (15) years, or on such an earlier date upon which the term shall expire, be canceled or terminated pursuant to any of the conditions or covenants of the Lease Agreement. Pursuant to the Lease Agreement, MICS NY is obligated to pay an initial base rent in the amount of $30,000 beginning August 1, 2024, with scheduled increases over the term, as set forth in the Lease Agreement.

In March 2024, During the three months ended June 30, 2024, the Company initiated abandoned its plans to continue use of the leased space due to failure to receive a liquor license. Consequently, the Company exercised its early termination provision of this lease under certain provisions made available under the Lease Agreement. The Landlord and Agreement which was not accepted by the Landlord. While attempting to settle, the Company are in active discussions failed to make the first recurring cash lease payment due on July 31, 2024, and as a result defaulted on the lease. Due to the terms abandonment of the lease, termination however as of this filing, it is too early in the negotiation process to estimate any potential loss, if any, all assets related to the lease termination process.

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ATM Offering have been written off during the three months ended June 30, 2024 and are included as a component of operating expenses in the accompanying condensed consolidated statements of operations.

On February 15, 2023 July 26, 2024, OAC 111 Flatiron, LLC and OAC Adelphi, LLC, filed a civil action in the Supreme Court of the State of New York against MICS NY and the Company entered into an At-The-Market Issuance Sales Agreement (the "Sales Agreement" (“the Defendants”) with Aegis Capital Corp, as sales agent (the "Agent"), pursuant for alleged breach of lease, seeking monetary damages including unpaid rent, future unpaid rent, and other expenses related to which the lease. The complaint alleges the Defendants breached the lease in various material respects. Based on the Company's assessment of the facts underlying the claims, the uncertainty of litigation, and the preliminary stage of the case, the Company could offer and sell, cannot reasonably estimate the potential loss or range of loss that may result from time to time, through the Agent (the "ATM Offering"), up to approximately $ this action.
1,800,000 in shares of the Company's common stock. For the three months ended March 31, 2024 and 2023, the Company received net proceeds of approximately $0 and $36,000, respectively, after payment of brokerage commissions and administrative fees to the agent. As of May 12, 2023, the Company terminated the Sales Agreement.

NOTE 3 – LIQUIDITY, GOING CONCERN AND MANAGEMENT PLANS

As of March 31, 2024 June 30, 2024, the Company had cash on hand of approximately $4,125,000 1,245,000 which is not sufficient to fund the Company's planned operations through one year after the date the consolidated financial statements are issued. The Company has a recent history of recurring operating losses and decreases in working capital. These factors create substantial doubt about the Company's ability to continue as a going concern for at least one year after the date that the Company's audited consolidated financial statements are issued.

The condensed consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. Accordingly, the condensed consolidated financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

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Management intends to finance operations with future debt or equity financings, however, if and when such financings may occur are uncertain.

In making this assessment management performed a comprehensive analysis of the Company's current circumstances including: its financial position, cash flow and cash usage forecasts, and obligations and debts. Although management has a recent history of successful capital raises, the analysis used to determine the Company's ability as a going concern does not include cash sources outside the Company's direct control that management expects to be available within the next 12 months.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited financial statements for the three months ended March 31, 2024June 30, 2024 and 2023 have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") applicable to interim financial information and the requirements of Form 10-Q and Article 8 of Regulation S-X of the Securities and Exchange Commission. Accordingly, they do not include all of the information and disclosures required by US GAAP for complete consolidated financial statements.

In the opinion of management, such condensed consolidated financial statements include all adjustments (consisting of normal recurring accruals) necessary for the fair presentation of the condensed consolidated financial position and the condensed consolidated results of operations. The condensed consolidated results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. The condensed consolidated balance sheet as of March 31, 2024June 30, 2024 and condensed financial statements information for the three and six months ended March 31, 2024June 30, 2024 and 2023 are unaudited whereas the condensed consolidated balance sheet as of December 31, 2023 is derived from the audited consolidated balance sheet as of that date. The condensed consolidated financial statements and notes hereto should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-KT for the transition period ended December 31, 2023. There have been no changes to our significant accounting policies as disclosed on the Company's annual report on Form 10-KT for the transition period ended December 31, 2023.

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RECENT ACCOUNTING PRONOUNCEMENTS

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. ASU 2023-09 is intended to enhance the usefulness of income tax disclosures by requiring entities to disclose specific rate reconciliations, amount of income taxes separate by federal and individual tax jurisdictions, and the amount of income or loss from continuing operations before income tax expense or benefit disaggregated between federal, state and foreign. ASU 2023-09 is effective for the Company for its fiscal year beginning January 1, 2025, with early adoption permitted. The Company is currently evaluating the impact of adopting this standard on our consolidated financial statements and related disclosures.

NOTE 5 – FINANCING

Oxford Credit Facility

On March 28, 2024, the Company entered into a Loan and Security Agreement (the "Credit Agreement") with Oxford Business Credit (the "Credit Agreement" "Oxford"), as Lender. The Credit Agreement established a secured asset-backed revolving credit facility which is comprised of a maximum $2,000,000 revolving credit facility ("Credit Facility"). Availability under the Credit Facility is determined monthly by a borrowing base comprised of a percentage of eligible accounts receivable of the Borrowers. The Company's obligations under the Credit Agreement are secured by a continuing security interest in all property of each Loan Party, subject to certain excluded collateral (as defined in the Credit Agreement). As of March 31, 2024 June 30, 2024, there was no availability approximately $187,000 due from Oxford for cash collections received that exceeded the amount due on the Credit Agreement. As of June 30, 2024 there was approximately $89,000 available under the Credit Facility as there were no eligible accounts receivable. Facility.

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Borrowings under the Credit Facility take the form of base rate loans at interest rates of the Wall Street Journal Prime Rate plus 2.5%, but in any event no less than 10%. The Credit Agreement includes certain covenants which include, but are not limited to restrictions on debt, asset liens, capital expenditures, formation of new entities and financial covenants. For the three and six months ended March 31, 2024 June 30, 2024, the Company incurred interest expense of approximately $25,000 17,000 and $42,000, respectively associated with financing costs from the Credit Agreement.

The Credit Agreement is for a two-year term that expires on November 28, 2026, and automatically renews for an additional one-year term on each anniversary of date of the agreement unless the Company notifies Oxford within 60 days before the anniversary date of its intention to pay off the Credit Facility and terminate the Credit Agreement.

The Company is subject to a two percent (2%) Exit Fee if the Company terminates the Credit Agreement and repays the obligations under Credit Facility prior to the anniversary date of the Credit Agreement. The Exit Fee shall automatically renew on the two-year anniversary date of the Loan Agreement for an additional one-year period unless the Company notifies Lender in writing within sixty (60) days before such anniversary date of Borrower's intention to pay off this Credit Facility and terminate the Credit Agreement and all obligations of the Credit Facility are paid in full by such anniversary date. There were no draws against the Credit Facility to date.

Fifth Third Bank Asset-backed Revolving Credit Facility

On October 14, 2022, the Company entered into a Loan and Security Agreement with Fifth Third Financial Corporation (the "Credit Agreement"), as Lender, replacing the Company's credit facilities with Crestmark and IHC that were terminated by the Company on October 13, 2022. The Credit Agreement established a secured asset-backed revolving credit facility which is comprised of a maximum $15,000,000 revolving credit facility ("Credit Facility"). The Credit Facility was terminated on November 17, 2023. Availability under the Credit Facility was determined monthly by a borrowing base comprised of a percentage of eligible accounts receivable and eligible inventory of the Borrowers. The Company's obligations under the Credit Agreement are secured by a continuing security interest in all property of each Loan Party, subject to certain excluded collateral (as defined in the Credit Facility).

Costs associated with closing of the Credit Agreement of approximately $254,000 were deferred and being amortized over life of the loan. During the three months and six months ended March 31, 2024, and 2023, June 30, 2023 the Company recorded interest expense of incurred approximately $0 21,000 and $21,000 42,000, respectively associated with the amortization of deferred financing costs from the Credit Agreement.

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Borrowings under the Credit Facility took the form of base rate loans at interest rates of the greater of either (a) the Prime Rate plus 0.50% or (b) the Secured Overnight Financing Rate ("SOFR") 30-day term rate plus 3%, subject to a minimum of 0.050% in either case.

During the three and six months ended March 31, 2024 June 30, 2023, and 2023, the Company incurred interest expense of approximately $0 25,000 and $36,000 61,000, respectively, associated with interest and financing costs from the Credit Agreement.

On May 19, 2023, the Company executed a Waiver and First Amendment agreement which provides for a waiver of previous defaults and instituted new covenants.

On August 30, 2023, the Company entered into a Waiver and Second Amendment (the "Revolving Loan Amendment") to the Credit Agreement. The Revolving Loan Amendment provides for, among other things, (i) a waiver of all known existing defaults under the Credit Agreement as of the date of the Revolving Loan Amendment and (ii) the amendment of the definition of "Borrowing Base" to reduce from $5,000,000 to $2,000,000.

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On November 17, 2023, the Company voluntarily terminated the Credit Agreement as the Company could not comply with the debt coverage financial covenant effective September 30, 2023. There was no balance outstanding on the credit agreement as of the termination date.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Hospitality Lease

On August 23, 2023, MICS NY entered into an Agreement of Lease (the "Lease Agreement") with OAC 111 Flatiron, LLC and OAC Adelphi, LLC (the "Landlord"), pursuant to which MICS NY agreed to lease approximately 10,000 square feet of ground floor retail space and a portion of the basement underneath the ground floor retail space in the property located at 111 West 24th Street, New York, New York (the "Premises"). It was the Company's intention to use the Premises as a new karaoke venue, offering immersive karaoke technology and audio-visual capabilities, with restaurant and bar offerings however due to lack of funding, the Company initiated termination of the lease in March 2024 (See Note 8 - Operating Leases).

The term of the Lease Agreement is for fifteen (15) years, or on such an earlier date upon which the term shall expire, be canceled or terminated pursuant to any of the conditions or covenants of the Lease Agreement. Pursuant to the Lease Agreement, MICS NY is obligated to pay an initial base rent in the amount of $30,000 beginning July 1, 2024 August 1, 2024, with scheduled increases over the term, as set forth in the Lease Agreement.

In March 2024, During the three months ended June 30, 2024, the Company initiated abandoned its plans to continue use of the leased space due to failure to receive a liquor license. Consequently, the Company exercised its early termination provision of this lease under certain provisions made available under the Lease Agreement. The Landlord and Agreement which was not accepted by the Landlord. While attempting to settle, the Company are in active discussions failed to make the first recurring cash lease payment due on July 31, 2024, and as a result defaulted on the lease. Due to the terms abandonment of the lease, termination however as of this filing, it is too early in the negotiation process to estimate any potential loss, if any, all assets related to the lease termination process. were impaired. Assets including security deposits, rent deposits and right of use assets of approximately $3,878,000 have been written off during the three months ended June 30, 2024 and are included as a component of operating expenses in the accompanying condensed consolidated statements of operations.

On July 26, 2024, OAC 111 Flatiron, LLC and OAC Adelphi, LLC, filed a civil action in the Supreme Court of the State of New York against MICS NY and the Company ("the Defendants") for alleged breach of lease, seeking monetary damages including unpaid rent, future unpaid rent, and other expenses related to the lease. The complaint alleges the Defendants breached the lease in various material respects. Based on the Company's assessment of the facts underlying the claims, the uncertainty of litigation, and the preliminary stage of the case, the Company cannot reasonably estimate the potential loss or range of loss that may result from this action.

Derivative Litigation Action

On December 21, 2023, Ault Lending, LLC, a wholly owned subsidiary of Ault Alliance, Inc. ("Ault"), one of the Company's largest shareholders, filed a derivative shareholder action in Delaware Chancery Court against the Company, its Directors, and other Company shareholders (The Stingray Group, Inc. and Regalia Ventures) ("the Defendants") for alleged breach of fiduciary duty in approving a recent above-market private placement equity transaction. The Complaint complaint alleges the Company, and its Directors followed an inadequate process in evaluating the private placement transaction which occurred back in November 2023 and entered into the transaction with an intent to dilute Ault's ownership stake in the Company. The Defendants have retained Delaware counsel to represent them in this matter and the Company has filed a motion to dismiss the suit. complaint. Based on the Company's assessment of the facts underlying the claims, the uncertainty of the litigation, and the preliminary stage of the case, the Company cannot reasonably estimate the potential loss or range of loss that may result from this action.

Other than what is disclosed above, we are not a party to, and our property is not the subject of, any pending material legal proceedings.

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NOTE 7 – OPERATING LEASES

At the time of this filing, the Company has operating lease agreements for offices in Florida and Hong Kong and a retail location in New York expiring in various years through 2038.

The Company entered into an operating lease agreement, effective October 1, 2017, for our corporate headquarters located in Fort Lauderdale, Florida where we lease approximately 6,500 square feet of office space. The lease space which expired on March 31, 2024. The base rent payment is approximately $9,950 per month, subject to annual adjustments. On February 22, 2024, the Company executed a lease extension for 14 months effective April 1, 2024, and expires on May 31, 2025. The base rent on the extension is approximately $10,553 $10,000 per month subject to a 3% annual adjustment.

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The Company entered into an operating lease on August 23, 2023, for approximately 10,000 square feet of ground floor retail space and a portion of the basement underneath the ground floor retail space. The lease expires August 22, 2038, and the monthly base rent is $30,000, subject to annual increases. The lease includes a 11-month free rent period between July 1, 2023, and June 30, 2024 and also includes a $700,000 reimbursement for tenant improvements upon completion of construction milestones as defined in the lease. Due to uncertainties as to whether these milestones will be met timely, the Company has not recorded any amounts related to the tenant improvement allowance in our condensed consolidated financial statements at lease inception or for the three and six months ended March 31, 2024 June 30, 2024. (See Note 6).

Supplemental balance sheet information related to leases as of March 31, 2024 June 30, 2024 and December 31, 2023 is as follows:

Assets:	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Operating lease - right-of-use assets	$ 3,841,000	$ 3,926,000	$ 178,000	$ 3,926,000
Liabilities				
Current				
Current portion of operating leases	$ 55,000	$ 84,000	$ 165,000	$ 84,000
Operating lease liabilities, net of current portion	$ 4,029,000	$ 3,925,000	$ 4,136,000	$ 3,925,000

Supplemental statement of operations information related to operating leases is as follows:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Operating lease expense as a component of general and administrative expenses	$ 196,000	$ 241,000	$ 203,000	$ 237,000	$ 399,000	$ 483,000
Supplemental cash flow information related to operating leases is as follows:						
Cash paid for amounts included in the measurement of lease liabilities:						

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Operating cash flow paid for operating leases	**$ 45,000**	**$ 252,000**	**$ 46,000**	**$ 252,000**	**$ 91,000**	**$ 504,000**
Lease term and Discount Rate						
Weighted average remaining lease term (years)	**14.4**	**12.4**	**14.3**	**13.2**		
Weighted average discount rate	**11.0%**	**6.5%**	**12.0%**	**6.5%**		

Minimum future payments under all operating leases as of March 31, 2024 June 30, 2024, are as follows:

Payments due by period	Amount
2024 (remaining 9 months)	$ 223,000
2025	355,000
2026	529,000
2027	585,000
2028	611,000
Thereafter	7,555,000
Total Minimum Future Payments	9,858,000
Less: Interest	5,774,000
Total operating lease liabilities	$ 4,084,000
Less: current portion of lease liabilities	55,000
Operating lease liabilities, net of current portion	$ 4,029,000

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Payments due by period		Amount
2024 (remaining six months)	$	271,000
2025		408,000
2026		529,000
2027		585,000
2028		611,000
Thereafter		7,555,000
Total minimum future payments	$	9,959,000
Less: Interest		5,658,000
Total operating lease liabilities	$	4,301,000
Less: current portion of lease liabilities		165,000
Operating lease liabilities, net of current portion	$	4,136,000

NOTE 8 – STOCK COMPENSATION EXPENSE

Equity Incentive Plan

On April 12, 2022, the Board of Directors approved The Singing Machine Company, Inc. 2022 Equity Incentive Plan, or the 2022 Plan. The 2022 Plan provides for the issuance of equity incentive awards, such as stock options, stock appreciation rights, stock awards, restricted stock, stock units, performance awards and other stock or cash-based awards collectively, the "Awards." Awards may be granted under the 2022 Plan to the Company's employees, officers, directors, consultants, agents, advisors and independent contractors.

There was were no share base compensation awards issued under the 2022 Plan during the three and six months ended March 31, 2024 June 30, 2024 and 2023. During the quarter ended March 31, 2024 there There were 1,250 4,000 and 5,250 shares forfeited during the three and six months ended March 31, 2024 June 30, 2024, respectively. There were no shares forfeited during the three and six months ended June 30, 2023. As of March 31, 2024 June 30, 2024, there were 166,719 204,053 shares available to be issued under the 2022 Plan.

As of March 31, 2024 June 30, 2024, there was an unrecognized expense of approximately $98,000 69,000 remaining on options currently vesting over time with an approximate weighted average of fifteen twelve months remaining until these options are fully vested. The vested options as of March 31, 2024, had no intrinsic value.

Warrants

Common warrants issued and outstanding as of March 31, 2024 and December 31, 2023, were 902,113. There were no changes in the warrants outstanding during the period.

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The vested options as of June 30, 2024, had no intrinsic value.

Warrants

Common warrants issued and outstanding as of June 30, 2024 and December 31, 2023, were 902,113. There were no changes in the warrants outstanding during the period.

As of March 31, 2024 June 30, 2024, the Company's warrants by expiration date were as follows:

Number of Common Warrants		Exercise Price	Expiration Date
802,113	$	2.80	September 15, 2026
100,000	$	5.00	May 23, 2027
902,113			

Number of Common Warrants		Exercise Price	Expiration Date
802,113	$	2.80	September 15, 2026
100,000	$	5.00	May 23, 2027
902,113			

NOTE 9 - COMPUTATION OF (LOSS) EARNINGS LOSS PER SHARE

Computation of basic and dilutive loss per share for the three and six months ended March 31, 2024 June 30, 2024 and 2023 are as follows:

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Net Loss	$ 2,367,000	$ 2,985,000
Weighted-average common and dilutive shares outstanding	6,418,061	3,114,397
Basic and diluted net loss per share	(0.37)	$ (0.96)

	For the three months ended June 30, 2024	For the three months ended June 30, 2023	For the six months ended June 30, 2024	For the six months ended June 30, 2023
Net loss	$ (6,119,000)	$ (2,460,000)	$ (8,486,000)	$ (5,445,000)
Weighted-average common shares outstanding	6,418,061	3,872,447	6,418,061	3,487,299
Basic loss per share	$ (0.95)	$ (0.64)	$ (1.32)	$ (1.56)

Basic net loss per share is based on the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share reflects the potential dilution assuming shares of common stock were issued upon the exercise of outstanding in-the-money options and the proceeds thereof were used to purchase shares of the Company's common stock at the average market price during the period using the treasury stock method.

For the three and six months ended March 31, 2024 June 30, 2024 and 2023, options to purchase 90,844108,511 and 53,675108,343 shares of common stock, respectively and options to purchase 902,113 common stock warrants for both March 31, 2024 June 30, 2024 and 2023 were excluded in the calculation of diluted net loss per share as the result would have been anti-dilutive.

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NOTE 10 - INCOME TAXES

For the three months ended June 30, 2024 and 2023 the Company recognized an income tax benefit of approximately $52,000 and $0, respectively. The Company is not forecasting any taxable income for the current year and had a loss before income tax benefit in the previous year. The Company's income tax provision for the three six months ended March 31, 2024, was approximately $52,000 due to income taxes due on amended federal tax returns filed for 2020 and 2021 which took into account the one-time refunds received from the Employee Retention Credit program. The Company's income tax provision for the three months ended March 31, 2023 June 30, 2023, was approximately $1,502,000 as the Company recognized a valuation reserve of all of its deferred tax assets based on the recent history of losses and forecasts that suggested the Company would not be able to utilize the deferred tax assets in the future.

The Company's income tax expense differs from the expected tax benefit/expense based on statutory rates primarily due to full valuation allowance for all of its subsidiaries for the three and six months ended March 31, 2024 June 30, 2024 and 2023.

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NOTE 11 – REVENUE DISAGGREGATION

The Company disaggregates revenues by product line and major geographic region as most of its revenue is generated by the sales of karaoke hardware and the Company has no other material business segments:

Revenue by product line is as follows:

Product Line	**March 31, 2024**	**March,31, 2023**

	Three Months Ended		**Three Months Ended**		**Six Months Ended**	
Product Line	**March 31, 2024**	**March,31, 2023**	**June 30, 2024**	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**
Classic Karaoke Machines	**$ 942,000**	**$ 1,571,000**	**$ 1,257,000**	**$ 1,463,000**	**$ 2,308,000**	**$ 2,729,000**
Licensed Products	**90,000**	**-**	**107,000**	**8,000**	**198,000**	**(4,000)**
SMC Kids Toys	**65,000**	**133,000**	**102,000**	**21,000**	**171,000**	**154,000**
Microphones and Accessories	**1,225,000**	**1,986,000**	**865,000**	**957,000**	**1,818,000**	**2,737,000**
Streaming Karaoke Machines	**104,000**	**(307,000)**				
Music and other income			**109,000**	**176,000**	**371,000**	**392,000**
Total Net Sales	**$ 2,426,000**	**$ 3,383,000**	**$ 2,440,000**	**$ 2,625,000**	**$ 4,866,000**	**$ 6,008,000**

Net sales Sales by geographic region for both of the three months ended March 31, 2024 and 2023 of $ periods presented are as follows: 3,383,000, respectively, were made to North American customers.

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Australia	124,000	-	124,000	-
North America	2,316,000	2,625,000	4,742,000	6,008,000
Total Net Sales	$ 2,440,000	$ 2,625,000	$ 4,866,000	$ 6,008,000

The Company selectively participates in a retailer's co-op promotion incentives by providing marketing fund allowances to its customers. As these co-op promotion initiatives are not a distinct good or service and the Company cannot reasonably estimate the fair value of the benefit it receives from these arrangements, the cost of these allowances at the time they are offered to the customers are recorded as a reduction to net sales. For the three months ended March 31, 2024 June 30, 2024 and 2023, co-op promotion incentives were approximately $109,000 240,000 and $172,000 91,000, respectively. For the six months ended June 30, 2024 and 2023, co-op promotion incentives were approximately $349,000 and $264,000, respectively.

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The Company estimates variable consideration under its return allowance programs for goods returned from the customer whereby a revenue return reserve is recorded based on historic return amounts, specific events as identified and management estimates. The Company's reserve for sales returns as of March 31, 2024 June 30, 2024 and December 31, 2023, was approximately $2,419,000 2,174,000 and $3,390,000, respectively. In conjunction with the recording of the revenue sales return reserve, the Company estimates the cost of products that are expected to be returned under its return allowance program whereby the estimated cost of product returns is recorded as an asset. The asset and is included in inventory separately stated as returns asset on the condensed consolidated balance sheets. The Company's estimated cost of returns as of March 31, 2024 June 30, 2024 and December 31, 2023, was approximately $1,262,000 619,000 and $1,919,000, respectively.

A return program for defective goods is negotiated with each of the Company's wholesale customers on a year-to-year basis. Customers are allowed to return defective goods within a specified period of time after shipment (between six and nine months). The Company does make occasional exceptions to this return policy and accordingly records a sales return reserve based on historic return amounts, specific exceptions as identified and management estimates.

The Company records a sales reserve for its return goods programs at the time of sale for estimated sales returns that may occur. The liability for defective goods is included in the reserve for sales returns on the condensed consolidated balance sheets.

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NOTE 12 - CONCENTRATIONS OF CREDIT RISK AND REVENUE

The Company derives a majority of its revenues from retailers of products in the United States. The Company's allowance for credit losses is based upon management's estimates and historical experience and reflects the fact that accounts receivable is concentrated with several large customers. At March 31, 2024 June 30, 2024, 69 79% of accounts receivable were due from three customers in North America that individually owed over 10% of total accounts receivable. On December 31, 2023, 82% of accounts receivable were due from four customers in North America that individually owed over 10% of total accounts receivable.

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Revenues derived from our top three customers for the three months ended March 31, 2024,**June 30, 2024 and 2023 were**
84**(Unaudited)**

% and 89% of total revenue, respectively. Revenues from customers representing greater than 10% of total net sales derived from our top three customers as a percentage of net sales were 39%, 14% and 13% for the three months ended June 30, 2024. Revenues from customers representing greater than 10% of total net sales derived from one customer as a percentage of net sales was 87% for the three months ended June 30, 2023. Revenues from customers representing greater than 10% of total net sales derived from our top three customers as a percentage of net sales were 50%, 11% and 10% for the six months ended June 30, 2024. Revenues from customers representing greater than 10% of total net sales were derived from two customers as a percentage of net sales were 86% for the three months ended March 31, 2024, June 30, 2023. Revenues from customers representing greater than 10% of total net sales were derived from one customer as a percentage of net sales were 60 86% and 14%. The for the six months ended June 30, 2023.The loss of any of these customers could have an adverse impact on the Company.

NOTE 13 – RELATED PARTY TRANSACTIONS

Due To/From Related Parties

Stingray Group, Inc. ("Stingray") is an existing shareholder with board representation. The Company has a music subscription sharing agreement with Stingray. For the three months ended March 31, 2024 June 30, 2024, and 2023, the amounts earned from the subscription agreement were approximately $240,000 109,000 and $218,000 176,000, respectively. This amount was For the six months ended June 30, 2024, and 2023, the amounts earned from the subscription agreement were approximately $349,000 and $394,000, respectively. These amounts were included as a component of net sales in the accompanying condensed consolidated statements of operations. On March 31, 2024 and December 31 2023, June 30, 2024, the Company had approximately $133,000 1,000 and due to Stingray. On December 31, 2023, the Company had approximately $269,000, respectively, due from Stingray for music subscription reimbursement.

During the three and six months ended June 30, 2024, the Company advanced $415,000 to SemiCab for working capital. As of June 30, 2024, the company had approximately $415,000 due from SemiCab. (See Note 2).

NOTE 14 – ASSET ACQUISITION

On June 11, 2024, the Company and its wholly owned subsidiary SemiCab,LLC, SemiCab, Inc., Ajesh Kapoor and Vivek Sehgal entered into the Asset Purchase Agreement pursuant to which the Seller agreed to sell and assign to the Company, and the Company agreed to purchase and assume from the Seller, substantially all the assets, and certain specified liabilities relating to the business of the Seller.

On July 3, 2024, the parties completed the Asset Purchase Agreement whereby the Company issued to the Seller (i) 641,806 shares of the Company's common stock with a value of approximately $738,000 (ii) a twenty percent (20%) membership interest in SemiCab LLC. (See Note 2).

Pursuant to the asset acquisition agreement, the Company and Seller entered into an option agreement (the "Option Agreement"), granting the Buyer the right to acquire all of the issued and outstanding capital securities of SMCB Solutions Private Limited, a wholly owned subsidiary of the Seller, in consideration for 320,903 shares of common stock of the Company.

In connection with the asset acquisition agreement, effective July 3, 2024, SemiCab, LLC entered into employment agreements (the "Agreements") with Ajesh Kapoor and Vivek Sehgal Kapoor's agreement spans three years with an annual base salary of $140,000 for 2024, $240,000 for 2025, and $300,000 for subsequent years, and Sehgal's agreement also spans three years with an annual base salary of $105,000 for 2024, $210,000 for 2025, $240,000 for 2026, $270,000 for 2027, and $300,000 for 2028. Both executives' salaries are subject to annual review by the Board. They are eligible for annual performance-based bonuses contingent on specific goals set by the Board and will participate in the 2022 Equity Incentive Plan, receiving annual equity issuances and cash-based incentives tied to revenue milestones. Both are entitled to standard employee benefits, including health insurance and retirement plans.

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Pro Forma Information

The unaudited pro forma financial information below presents the effects of the Asset Purchase Agreement as though it had been completed on January 1, 2023. The pro forma adjustments are derived from the historically reported transactions of the respective companies. The pro forma results do not include anticipated combined effects or other expected benefits of the acquisition. The pro forma results for the six months ended June 30, 2024, and 2023 reflect the combined performance of the Company and the SemiCab business for that period. The unaudited pro forma information is based on available data and certain assumptions that the Company believes are reasonable given the circumstances. However, actual results may differ materially from the assumptions used in the accompanying unaudited pro forma financial information. This selected unaudited pro forma condensed combined financial information is presented for illustrative purposes only and is not intended to represent what the actual consolidated results of operations would have been had the Asset Purchase Agreement occurred on January 1, 2023, nor does it attempt to forecast future consolidated results of operations.

	Six Months Ended	
	June 30, 2024	**June 30, 2023**
Net revenue	$ 6,209,000	9,530,000
Operating loss from continuing operations	(9,350,000)	(6,142,000)
Net loss	(9,690,000)	(7,085,000)

The pro forma results for the six months ended June 30, 2023, include a net increase in operating expenses of $265,000, consisting of legal and accounting expenses of approximately $215,000 associated with the acquisition of SemiCab and $50,000in shares of SMC common stock issued to Vivek Sehgal as sign-on bonus.

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

This Quarterly Report on Form 10-Q contains forward-looking statements that involve a number of risks and uncertainties. Words such as "anticipates," "expects," "intends," "goals," "plans," "believes," "seeks," "estimates," "continues," "may," "will," "would," "should," "could," and variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, uncertain events or assumptions, and other characterizations of future events or circumstances are forward-looking statements. Such statements are based on management's expectations as of the date of this filing and involve many risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include those described throughout this report and our Transition Report on Form 10-KT for the nine months period ended December 31, 2023, particularly the "Risk Factors" sections of such reports. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Readers are urged to carefully review and consider the various disclosures made in this Form 10-Q and in other documents we file from time to time with the Securities and Exchange Commission (the "SEC") that disclose risks and uncertainties that may affect our business. The forward-looking statements in this Form 10-Q are made as of the date of this filing, and we do not undertake, and expressly disclaim any duty to update such statements, whether as a result of new information, new developments or otherwise, except to the extent that disclosure may be required by law.

You should read the following management's discussion and analysis of financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and with our audited financial statements and related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Transition Report on Form 10-KT, filed with the SEC on April 15, 2024.

In this Quarterly Report, unless the context requires otherwise, references to the "Company," "Singing Machine," "we," "our company" and "us" refer to The Singing Machine Company, Inc., a Delaware corporation, as well as our wholly owned subsidiaries; "SMCL" refers to SMC Logistics, Inc., a California corporation, "SMCM" refers to SMC-Music, Inc., a Florida corporation, "SMH" refers to SMC (HK) Limited, a Hong Kong company, and "MICS NY" refers to MICS Nomad, LLC, a Delaware limited liability company.

The objective of this Management's Discussion and Analysis of Financial Condition and Results of Operation is to allow investors to view our company from management's perspective, considering items that would have a material impact on future operations.

Overview

The Singing Machine Company, Inc., a Delaware corporation (the "Company" or "The Singing Machine") is a consumer electronics manufacturer of retail karaoke products. Based in Fort Lauderdale, Florida, and founded over forty years ago, the Company is primarily engaged in the development, marketing, and sale of a wide assortment of at-home and in-car consumer karaoke audio equipment, accessories, musical recordings and products. The Company's portfolio is marketed under both proprietary brands and licenses including Carpool Karaoke and Sesame Street. The Company's products are sold in locations worldwide, primarily through mass merchandisers and warehouse clubs, on-line retailers and to a lesser extent department stores, lifestyle merchants, direct mail catalogs and showrooms, music and record stores, and specialty stores.

The Singing Machine's operations include its wholly owned subsidiaries, SMC Logistics, Inc., a California corporation ("SMCL"),SMC-Music, Inc., a Florida corporation ("SMCM"), SMC (HK) Limited, a Hong Kong company ("SMH"), MICS Hospitality Holdings, Inc., a Delaware corporation ("MICS Hospitality"), MICS Hospitality Management, LLC, a Delaware limited liability company ("MICS Hospitality Management") and MICS Nomad, LLC, a Delaware limited liability company ("MICS NY").

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Recent Developments

Change in Fiscal Year

During 2023, our Board of Directors approved a change in our fiscal year end from March 31 to December 31. Our results of operations, cash flows, and all transactions impacting shareholders' equity presented in this Quarterly Report on Form 10-Q as of March 31, 2024 June 30, 2024 are for the three-month period three and six month periods ended March 31, 2024 June 30, 2024 and March 31, 2023. 2023.

Oxford Credit Facility ATM Offering June 2024

On March 28, 2024 June 26, 2024, the Company and Oxford Commercial Finance, a Michigan banking corporation, (referred to as "Oxford") entered into a Loan an At-The-Market Issuance Sales Agreement (the "Loan "Sales Agreement") with Ascendiant Capital markets, LLC, as sales agent (the "Agent"), pursuant to which the Company could offer and related Revolving Credit Note sell, from time to time, through the Agent (the "Note" "ATM Offering") for a $2 million revolving line of credit (the "Oxford Line of Credit"). Availability under the Oxford Line of Credit is determined monthly by a borrowing base comprised of a percentage of eligible accounts receivable, up to approximately $1,100,000 in shares of the Company's common stock. On July 8, 2024, the Company as set forth entered into the First Amendment to the Sales Agreement (the "Amendment") to increase the number of shares to be sold in the Loan Agreement. ATM Offering to $2,020,000. On August 9, 2024, the Company entered into the Second Amendment to the Sales Agreement (the "Amendment") to increase the number of shares to be sold in the ATM Offering to $3,100,000. For the three and six months ended June 30, 2024, the Company had not yet sold any shares of its common stock from this ATM Offering. Pursuant to the agreement, the Agent is to be paid $30,000 in fees to cover legal and administrative expenses and will receive an amount equal to 3% of the gross proceeds from each sale of the Company's share of common stock.

In connection Subsequent to June 30, 2024 and through August 16, 2024(the last trading day prior to filing), the Company sold 1,657,172 shares of common stock under the ATM offering, and received net proceeds from the ATM of approximately $1,676,000 after payment of brokerage commissions and administrative fees to the agent of approximately $51,000.

Asset Purchase

On June 11, 2024, the Company and its wholly owned subsidiary SemiCab Holdings, LLC, a Nevada limited liability company ("SemiCab LLC" and collectively with the Oxford Line of Credit, Company, the "Buyer"), SemiCab, Inc., a Delaware corporation ("SemiCab" or the "Seller"), Ajesh Kapoor and Vivek Sehgal entered into an asset purchase agreement (the "Asset Purchase Agreement") pursuant to which the Seller agreed to sell and assign to the Company, is required to: (a) Pay and the Company agreed to Oxford a loan fee purchase and assume from the Seller, substantially all the assets, and certain specified liabilities relating to the business of the Seller. Subject to certain exceptions set forth in the amount of one percent (1%) Asset Purchase Agreement, the parties agreed that the Buyer will not assume the liabilities of the Revolving Loan Cap (as defined in Seller. SemiCab is an artificial intelligence, cloud-based collaborative transportation platform built to achieve the Loan Agreement); (b) Pay Field Exam (as defined in the Loan Agreement) expenses scalability required to Oxford; (c) Maintain an average outstanding principal balance of the loan for each month in the amount of Five Hundred Seventy Thousand Dollars ($570,000) ("Minimum Loan Balance"). If the actual average outstanding principal balance of the loan in any month is less than the Minimum Loan Balance, the Company must pay interest for such month calculated on the Minimum Loan Balance; (d) Pay an early exit fee to Oxford, in the event the Company terminates the Loan Agreement predict and repays the obligations under the Note in full, as liquidated damages and not as a penalty, in an amount equal to: (i) if prior to the one year anniversary date of the Note, two percent (2.00%) of the Revolving Loan Cap (as defined in the Loan Agreement) plus any fees which are due or to become due under the Loan Agreement, and (ii) if on and after the one year anniversary date of the Note, but prior to the two year anniversary date of the Note, two percent (2.00%) of the Revolving Loan Cap plus any fees which are due or to become due under the Loan Agreement; and (e) Pay any and all third party expenses, including the reasonable fees and disbursements of Oxford's counsel, in connection with the preparation, administration and enforcement of the Line of Credit agreements or the other loan documents. optimize semi-tractor trailer load efficiency.

The revolving credit facility bears interest On July 3, 2024, the parties closed on the asset purchase whereby the Company issued to the Seller (i) 641,806 shares of the Prime Rate (the Company's common stock (ii) a twenty percent (20%) membership interest reported daily in the Wall Street Journal) plus 2.5%, but in any event, not less than 10%. SemiCab LLC.

Pursuant to the Security Agreement (the "Security Agreement") entered into by and between asset acquisition agreement, the Company and Oxford on March 28, 2024 Seller entered into an option agreement (the "Option Agreement"), granting the obligations under Buyer the Loan Agreement are secured by right to acquire all of the assets issued and outstanding capital securities of SMCB Solutions Private Limited, a wholly owned subsidiary of the Company, presently owned or later acquired, and all cash and non-cash proceeds thereof (including, without limitation, insurance proceeds). Seller, in consideration for 320,903 shares of common stock of the Company. The Option Agreement has not been exercised through the date of this filing.

Private Placement

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On November 20, 2023, the Company entered into an agreement to sell $2,000,000 in common stock through a private placement of common stock (the "Private Placement"). The Private Placement was completed with two Affiliates, (Stingray Group, Inc. and Jay Foreman), both of which were existing shareholders with Board representation. The Private Placement was completed at $0.91 per share of common stock, with a total of approximately 2,198,000 shares issued. Net proceeds from the transaction were approximately $1,900,000, net of transaction fees of approximately $100,000. During the six-month period after the closing date, the purchasers may make a written request for registration under the Securities Act of all or any portion of the shares purchased. During the six months ended June 30, 2024, Jay Foreman has made a written request to register his 1,099,000 shares.

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Hospitality Lease

On August 23, 2023, MICS NY entered into an Agreement of Lease (the "Lease Agreement") with OAC 111 Flatiron, LLC and OAC Adelphi, LLC (the "Landlord"), pursuant to which MICS NY agreed to lease approximately 10,000 square feet of ground floor retail space and a portion of the basement underneath the ground floor retail space in the property located at 111 West 24th Street, New York, New York (the "Premises").

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The term of the Lease Agreement is for fifteen (15) years, or on such an earlier date upon which the term shall expire, be canceled or terminated pursuant to any of the conditions or covenants of the Lease Agreement. Pursuant to the Lease Agreement, MICS NY is obligated to pay an initial base rent in the amount of $30,000 beginning August 1, 2024, with scheduled increases over the term, as set forth in the Lease Agreement.

In March 2024, During the three months ended June 30, 2024, the Company initiated abandoned its plans to continue use of the leased space due to failure to receive a liquor license. Consequently, the Company exercised its early termination provision of this lease under certain provisions made available under the Lease Agreement. The Landlord and Agreement which was not accepted by the Landlord. While attempting to settle, the Company are in active discussions failed to make the first recurring cash lease payment due on July 31, 2024, and as a result defaulted on the lease. Due to the terms abandonment of the lease, termination however as of this filing, it is too early in the negotiation process to estimate any potential loss, if any, all assets related to the lease termination process.
ATM Offering were impaired. Assets including security deposits, rent deposits and right of use assets of approximately $3,878,000 have been written off during the three months ended June 30, 2024 and are included as a component of operating expenses in the accompanying condensed consolidated statements of operations.

On February 15, 2023 July 26, 2024, OAC 111 Flatiron, LLC and OAC Adelphi, LLC, filed a civil action in the Supreme Court of the State of New York against MICS NY and the Company entered into an At-The-Market Issuance Sales Agreement (the “Sales Agreement” (“the Defendants”) with Aegis Capital Corp, as sales agent (the “Agent”), pursuant to which the Company could offer for alleged breach of lease, seeking monetary damages including unpaid rent, future unpaid rent, and sell, from time to time, through the Agent (the “ATM Offering”), up to approximately $1,800,000 in shares of the Company’s common stock. For the three months ended March 31, 2024 and 2023, the Company received net proceeds of approximately $0 and $36,000, respectively, after payment of brokerage commissions and administrative fees other expenses related to the agent. As of May 12, 2023, lease. The complaint alleges the Company terminated Defendants breached the Sales Agreement. lease in various material respects.

Results of Operations

The following table sets forth, for the periods indicated, certain items related to our consolidated statements of income as a percentage of net sales as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net Sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of Goods Sold	86.7 %	79.8 %	83.0 %	77.5 %
Operating Expenses	265.5 %	112.8 %	190.4 %	98.7 %
Loss from Operations	-252.2 %	-92.6 %	-173.4 %	-76.2 %
Other (Expenses) Income, Net	-0.7 %	-1.1 %	-0.9 %	10.6 %
Loss Before Income Tax Benefit (Provision)	-252.9 %	-93.7 %	-174.3 %	-65.6 %
Income Tax Benefit (Provision)	2.1 %	0.0 %	0.0 %	-25.0 %
Net Loss	-250.8 %	-93.7 %	-174.3 %	-90.6 %

	For Three Months Ended	
	March 31, 2024	March 31, 2023
Net Sales	100.0 %	100.0 %
Cost of Goods Sold	79.3 %	75.8 %
Operating Expenses	115.0 %	87.7 %
Loss from Operations	-94.3 %	-63.5 %
Other (Expenses) Income, Net	-1.2 %	19.6 %
Loss Before Income Tax Provision	-95.5 %	-43.9 %
Income Tax Provision	-2.1 %	-44.4 %
Net Loss	-97.6 %	-88.3 %

Quarter Three Months Ended March 31, 2024 June 30, 2024 Compared to the Quarter Three Months Ended March 31, 2023 June 30, 2023

Net Sales

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Net sales for the three months ended March 31, 2024 June 30, 2024, decreased to approximately $2,426,000 $2,440,000 from approximately $3,383,000 $2,625,000 representing a decrease of approximately $957,000 (28.3 $185,000 (7.0 %) as compared to the three months ended March 31, 2023 June 30, 2023. The decrease was primarily due to lower overall sell-through results during the past holiday season, largely mostly with our largest customer, Walmart, which in turn diminished inventory restocking need immediately after requirements during the holiday retail first six months of the calendar year which is historically off-peak shipping season.

Gross Profit

Gross profit for the three months ended March 31, 2024 June 30, 2024 decreased to approximately $502,000 $324,000 from approximately $819,000 $529,000 representing a decrease of approximately $317,000 (38.7% $205,000 (38.8%) as compared to the three months ended March 31, 2023 June 30, 2023. Gross margins for the three months ended March 31, 2024 June 30, 2024 were 20.7%, 13.3% as compared to 24.2% 20.2% for the three months ended March 31, 2023 June 30, 2023. Approximately $86,000 $260,000 of the decrease in gross profit was primarily due to increased sales in excess inventory which yielded significantly lower gross margins, which margin than current models sold and was primarily caused offset by a $294,000 increase decrease in repair expenses of approximately $57,000 associated with the miscellaneous logistics costs during the period. The remaining $231,000 reduction in gross income was due related to the reduction in sales in the first quarter timing of 2024 as compared to the same period in 2023. receipt of new goods.

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Operating Expenses

During the three months ended March 31, 2024 June 30, 2024, total operating expenses decreased increased to approximately $2,789,000, $6,478,000, compared to approximately $2,965,000 $2,960,000 during the three months ended March 31, 2023 June 30, 2023. This represents a decrease an increase in total operating expenses of approximately $176,000 (5.9%) $3,518,000 from the three months ended March 31, 2023 June 30, 2023. The decrease increase in operating expenses was primarily due to the write-off of impaired operating lease assets of approximately $3,878,000 related to the hospitality lease (See Hospitality Lease in Recent Developments). This increase in operating expenses was offset by a decrease in seasonal bad debt reserves of approximately $156,000, a decrease in logistics costs of approximately $124,000 associated with the closing of the warehouse operation and outsourcing of logistics to a third-party logistics company, acceleration of depreciation expense of approximately $130,000 recognized in the prior year on impaired fixed assets associated with the closing of the warehouse.

Other Expenses, net

Other expense consisted of interest expense of approximately $17,000 for the three months ended June 30, 2024, as compared to interest expense of approximately $29,000 for the three months ended June 30, 2023.

Income Taxes

For the three months ended June 30, 2024 and 2023 the Company recognized a tax benefit of approximately $52,000 and $0, respectively. The Company is not recognizing any tax provision for the six months ended June 30, 2024 as the Company is not forecasting any taxable income for the current year and had a loss before income tax benefit in the previous year. The Company’s income tax expense differs for the expected tax benefit based on statutory rates primarily due history of losses and forecasts that suggest the Company will not be able to utilize any deferred tax assets in the future.

Six Months Ended June 30, 2024 Compared to the Six Months Ended June 30, 2023

Net Sales

Net sales for the six months ended June 30, 2024, decreased to approximately $4,866,000 from approximately $6,008,000 representing a decrease of approximately $1,142,000 (19.0 %) as compared to the six months ended June 30, 2023. The decrease was primarily due to lower overall sell-through results during the past holiday season, mostly with our largest customer, Walmart, which in turn diminished inventory restocking requirements during the first six months of the calendar year which is historically off-peak shipping season.

Gross Profit

Gross profit for the six months ended June 30, 2024 decreased to approximately $826,000 from approximately $1,349,000 representing a decrease of approximately $523,000 (38.8%) as compared to the six months ended June 30, 2023. Gross margins for the six months ended June 30, 2024 were 17.0%, as compared to 22.5% for the six months ended June 30, 2023. There was a decrease of approximately $276,000 primarily due to lower gross margins caused by increased sales mix of excess inventory yielding margins that were less than current models sold. The remaining decrease in net sales as explained above accounted most of the remaining $267,000 of the decrease in gross profit.

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Operating Expenses

During the six months ended June 30, 2024, total operating expenses increased to approximately $9,267,000 compared to approximately $5,927,000 during the six months ended June 30, 2023. This represents an increase in total operating expenses of approximately $3,340,000 from the six months ended June 30, 2023. The increase in operating expenses was primarily due to the write-off of impaired operating lease assets of approximately $3,878,000 related to the hospitality lease (See Hospitality Lease in Recent Developments). The increase in operating expenses was primarily attributable to a seasonal decrease in bad debt reserves of approximately $81,000, acceleration of depreciation expense of approximately $133,000 recognized in the prior year on impaired fixed assets associated with the closing of the logistics warehouse, a decrease in stock based compensation expense of approximately $101,000, reduced costs in selling expenses expense of approximately $81,000 due to significantly lower inbound freight costs related to the reduced volume of product returns and a decrease in commissionable sales. travel and entertainment of approximately $81,000.

Other (Expenses) Income, net

Other expense consisted of interest expense of approximately $28,000 $45,000 for the three six months ended March 31, 2024, June 30, 2024 as compared to other income, net of approximately $663,000 for $635,000. During the three six months ended March 31, 2023. During the three months ended March 31, 2023 June 30, 2023, there was a one-time refund of approximately $704,000 from the Employee Retention Credit program offset by interest expense of approximately $41,000 $69,000 which accounted for the increase in other income, net.

Income Taxes

For the six months ended June 30, 2024, the Company did not recognize any income tax provision as the Company is not forecasting any taxable income for the current year. The Company's income tax provision for the three six months ended March 31, 2024, was approximately $52,000 due to income taxes due on amended federal tax returns filed for 2020 and 2021 which took into account the one-time refunds received from the Employee Retention Credit program. The Company's income tax provision for the three months ended March 31, 2023 June 30, 2023, was approximately $1,502,000 as the Company recognized a full valuation allowance on all of its deferred tax assets based on the recent history of losses and forecasts that suggested the Company would not be able to utilize the deferred tax assets in the future. The Company's income tax expense differs for the expected tax benefit/expense based on statutory rates primarily due to full valuation allowance for all of its subsidiaries for the six months ended June 30, 2023.

Liquidity and Capital Resources

The Company incurred a net loss of approximately $2,367,000 $8,486,000 for the three-month six-month period ended March 31, 2024 June 30, 2024, and has a history of recurring losses.

On March 31, 2024 June 30, 2024, we had cash on hand of approximately $4,125,000 $1,245,000 as compared to approximately $6,703,000 as of on December 31, 2023. The increase decrease in cash on hand of approximately $2,578,000 $5,458,000 from December 31, 2023, was primarily due to approximately $2,557,000 $5,410,000 used in operations primarily of which approximately $4,711,000 was used to seasonally pay down accounts payable and accrued expenses. There were seasonal reductions in customer deposits and refunds to customers of approximately $1,221,000 and a reduction of approximately $1,217,000 in reserves for sales returns as customers seasonally returned defective and overstock goods from the past holiday season during the six months ended June 30, 2024. These uses of cash for operating activities were offset by a seasonal reduction of approximately $5,000,000 in accounts receivable of which a significant amount of the reduction was offset by customers netting credit amounts due to off-peak seasonal settlement of accounts receivable offset by seasonal decreases in accounts payable (primarily to factories), accrued expenses related to seasonal accruals for estimated returned goods customer refunds them from returns and co-op incentive program expenses. programs against open invoices. As of March 31, 2024 June 30, 2024, our working capital was approximately $4,887,000. $2,688,000.

On March 31, 2023 June 30, 2023, we had cash on hand of approximately $2,895,000 $1,890,000 as compared to $2,795,000 as of December 31, 2022. The increase decrease in cash on hand of approximately $100,000 $905,000 was primarily due to approximately $1,739,000 provided by financing activities primarily due to borrowings from our credit facility with Fifth Third Bank and offset by approximately $1,934,000 in net cash $614,000 used in operating activities primarily due to off-peak seasonal settlement of accounts receivable offset by seasonal increases in accounts payable, accrued expenses related to seasonal accruals for estimated returned goods, co-op incentive program expenses and customer refunds, and approximately $95,000 $137,000 used in investing activities for the purchase of molds an tooling. and tooling and approximately $154,000 used in financing activities. While the Company received proceeds from the exercise of common stock warrants and issuance of common stock (net of offering costs) of approximately $1,640,000, this increase in financing activities was offset by repayment of revolving credit lines of credit and other debt of approximately $1,794,000 during the six months ended June 30, 2024.

As of March 31, 2024, the Company's cash balance was approximately $4,125,000. Based on cash flow projections from operating and financing activities and the existing balance of cash, management is of the opinion that the Company has insufficient funds to sustain operations

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for at least one year after the date of this report, and it may not be able to meet its payment obligations from operations and related commitments, if the Company is not able to obtain outside financing to allow the Company to continue as a going concern. Based on these factors, the Company has substantial doubt that it will continue as a going concern for the twelve months following the issuance date of the financial statements included elsewhere in this report.

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The Company's plan to alleviate the going concern issue is to increase revenue while controlling operating costs and expenses and obtaining funds from outside sources of financing to generate positive financing cash flows. While management is optimistic about its ability to raise funds to fund operations for at least one year after the date of this report, there can be no assurance that any such measures will be successful.

The Company's ability to raise additional funds will depend, in part, on the success of our product development activities, and other events or conditions that may affect the share value or prospects, as well as factors related to financial, economic and market conditions, many of which are beyond our control. There can be no assurances that sufficient funds will be available to us when required or on acceptable terms, if at all. Accordingly, management has concluded that these plans do not alleviate substantial doubt about the Company's ability to continue as a going concern. Our failure to achieve or maintain profitability could negatively impact the value of our common stock.

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Critical Accounting Estimates

Our interim financial statements were prepared in accordance with United States generally accepted accounting principles, which require management to make subjective decisions, assessments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the judgement increases such judgements become even more subjective. While management believes that its assumptions are reasonable and appropriate, actual results may be materially different than estimated. The critical accounting estimates and assumptions have not materially changed from those identified in our Transition Report for the period ended December 31, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for small reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Our principal executive officer and principal financial officer, with the assistance of other members of our management, have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report. Based upon this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are not effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and is accumulated and communicated to our management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

During our transition period ended December 31, 2023**,** our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was not effective due to the material weaknesses described below.

1. We lack sufficient resources in our accounting department restricting our ability to review and approve certain material journal entries which increases the likelihood that a material misstatement of interim or annual financial statements might not be prevented. Management evaluated our current process of review and approval of certain material journal entries and concluded this deficiency represented a material weakness.

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2. We lack sufficient resources in our accounting department, which restricts our ability to review certain material reconciliations related to financial reporting in a timely manner. Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. Management evaluated the impact of our failure to have proper segregation between the preparation, review and approval of account reconciliations and concluded that this control deficiency represented a material weakness.

3. Due to resource restrictions, we have not established a three-way match of documents or other controls precise enough to detect a material misstatement in revenue. Management evaluated our current process of determining the occurrence of revenue and concluded this deficiency represented a material weakness.

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Planned Remediation

We continue to work on improving and simplifying our internal processes and implement enhanced controls to address the material weaknesses in our internal control over financial reporting discussed above and to remedy the ineffectiveness of our disclosure controls and procedures. We are addressing our accounting resource requirements to help remediate the segregation of duties and plan to implement a concise "three-way" document matching procedure. These material weaknesses will not be considered as remediated until the applicable remediated controls are operating for a sufficient period and management has concluded, through testing, that these controls are operating effectively.

Despite the material weaknesses identified above, we believe that the consolidated financial statements included in the period covered by this report on Form 10-Q fairly present, in all material aspects, our financial conditions, results of operations and cash flows for the periods presented in conformity with U.S. generally accepted accounting principles.

During the fiscal quarter ended March 31, 2024 June 30, 2024, there were no additional changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On July 26, 2024, OAC 111 Flatiron, LLC and OAC Adelphi, LLC, filed a civil action in the Supreme Court of the State of New York against MICS Nomad LLC, a subsidiary of the Company ("MICS NY"), and the Company ("the Defendants") for alleged breach of lease, seeking monetary damages including unpaid rent, future unpaid rent, and other expenses related to the lease. The complaint alleges the Defendants breached the lease in various material respects. The Defendants have not yet been served in this matter.

There were no other material changes during the quarter ended March 31, 2024 June 30, 2024, to our disclosure in Part I, Item 3, "Legal Proceedings" of our Form 10-KT for the period ended December 31, 2023. There are no other relevant matters to disclose under this Item for this period. See Note 7 6 to our consolidated financial statements entitled "Commitments and Contingencies" which is incorporated in this item by reference.

ITEM 1A. RISK FACTORS

Not required for small reporting companies.

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

None.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Arrangement

During the three months ended March 31, 2024 June 30, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

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ITEM 6. EXHIBITS

2.1	Asset Purchase Agreement dated June 11, 2024, between The Singing Machine Company, Inc., SemiCab, Inc. and SemiCab Holdings, LLC (incorporated by reference to Exhibit 2.1 in the Singing Machine's Current Report on Form 8-K filed with the SEC on June 12, 2024).
2.2	Amendment No. 1 to Asset Purchase Agreement dated July 1, 2024, among The Singing Machine Company, Inc., SemiCab, Inc. and SemiCab Holdings LLC (incorporated by reference to Exhibit 2.2 in the Singing Machine's Current Report on Form 8-K filed with the SEC on July 5, 2024).
10.1	Loan Operating Agreement by and between The Singing Machine Company, Inc., SemiCab Holdings, LLC and Oxford Commercial Finance dated March 28, 2024 SemiCab, Inc. (incorporated by reference to Exhibit 10.1 in the Singing Machine's Current Report on Form 8-K filed with the SEC on April 3, 2024 June 12, 2024).
10.2	Revolving Credit Note At-The-Market Issuance Sales Agreement by and between The Singing Machine Company, Inc. and Ascendiant Capital Markets, LLC, dated March 28, 2024 June 26, 2024 (incorporated by reference to Exhibit 10.2 1.1 in the Singing Machine's Current Report on Form 8-K filed with the SEC on April 3, 2024 June 27, 2024).
10.3	Security Amendment to At-The-Market Issuance Sales Agreement by and between The Singing Machine Company, Inc. and Oxford Commercial Finance Ascendiant Capital Markets, LLC, dated March 28, 2024 July 8, 2024 (incorporated by reference to Exhibit 10.3 10.1 in the Singing Machine's Current Report on Form 8-K filed with the SEC on April 3, 2024 July 9, 2024).
31.1*	Certification of Chief Executive Officer required by Rule 13a-14(a) or 15d-14(a).
31.2*	Certification of Chief Financial Officer required by Rule 13a-14(a) or 15d-14(a).
32.1**	Certification of Chief Executive Officer and Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.
** Furnished herewith.

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SIGNATURES

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

THE SINGING MACHINE COMPANY, INC.

Date: May 15, 2024 August 19, 2024

By: */s/ Gary Atkinson*
Gary Atkinson
Chief Executive Officer
(Principal Executive Officer)

/s/ Richard Perez
Richard Perez
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 31.1

CERTIFICATION

I, Gary Atkinson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Singing Machine Company, Inc. for the period ended March 31, 2024 June 30, 2024;

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(s) 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 controls 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

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5. The registrant's other certifying officer(s) 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: May 15, 2024 August 19, 2024

/s/ Gary Atkinson

Gary Atkinson
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Richard Perez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Singing Machine Company, Inc. for the period ended March 31, 2024 June 30, 2024;

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(s) 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 controls 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(s) 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):

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(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: May 15, 2024 August 19, 2024	*/s/ Richard Perez*
	Richard Perez
	Chief Financial Officer
	(Principal Financial and Accounting Officer)

EXHIBIT 32.1

EXHIBIT 32.1
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Singing Machine Company, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2024 June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 15, 2024 August 19, 2024	By:	*/s/ Gary Atkinson*
	Name:	Gary Atkinson
	Title:	Chief Executive Officer
		(Principal Executive Officer)
Date: May 15, 2024 August 19, 2024	By:	*/s/ Richard Perez*
	Name:	Richard Perez
	Title:	Chief Financial Officer
		(Principal Financial and Accounting Officer)

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