

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

FORM 10-K

- ☒ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended March 31, 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: 001-31747

UNIVERSAL SECURITY INSTRUMENTS, INC.  
(Exact name of registrant as specified in its charter)

MARYLAND	52-0898545
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
11407 Cronhill Drive , Suite A , Owings Mills , Maryland	21117
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code	( 410 ) 363-3000

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

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock	UUU	NYSE MKT LLC

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

None  
Title of Class

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  
Yes ☒ No ☐

Indicate by check mark if 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. ☐

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

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

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

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

The aggregate market value of Common Stock, \$.01 par value, held by non-affiliates of the registrant based on the closing sales price of the Common Stock on the New York Stock Exchange (NYSE MKT LLC) on September 30, 2023, was \$ 4,956,199 .

The number of shares of common stock outstanding as of July 12, 2024, was 2,312,887 .

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**UNIVERSAL SECURITY INSTRUMENTS, INC.**  
2024 ANNUAL REPORT ON FORM 10-K

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## PART I

### ITEM 1. BUSINESS

#### General

Universal Security Instruments, Inc. ("we" or "the Company") designs and markets a variety of popularly priced safety products consisting primarily of smoke alarms, carbon monoxide alarms and related products. Most of our products require minimal installation and are designed for easy installation by the consumer without professional assistance and are sold through retail stores. We also market products to the electrical distribution trade through our wholly owned subsidiary, USI Electric, Inc. ("USI Electric"). The electrical distribution trade includes electrical and lighting distributors as well as manufactured housing companies. Products sold by USI Electric usually require professional installation.

Our sales for the year ended March 31, 2024, were \$19,902,673 compared to \$22,178,873 for the year ended March 31, 2023. We reported a net loss of \$395,790 in fiscal 2024 compared to net income of \$720,411 in fiscal 2023, a decrease in net earnings of \$1,116,201. The net loss for the fiscal year ended March 31, 2024, is attributed to a decrease in sales to retail customers, and increased selling, general, and administrative expense, principally increased insurance, professional fees, salaries, and allowances for credit losses.

The Company was incorporated in Maryland in 1969. Our principal executive office is located at 11407 Cronhill Drive, Suite A, Owings Mills, Maryland 21117, and our telephone number is 410-363-3000. Information about us may be obtained from our website [www.universalsecurity.com](http://www.universalsecurity.com). Copies of our Annual Report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, are available free of charge on our website as soon as they are filed with the Securities and Exchange Commission (SEC) through a link to the SEC's EDGAR reporting system. Simply select the "Investor Relations" menu item, and then click on the "SEC Filings" link. The SEC's EDGAR reporting system can also be accessed directly at [www.sec.gov](http://www.sec.gov).

#### Safety Products

We market a line of residential smoke and carbon monoxide alarms under the trade names "UNIVERSAL" and "USI Electric" both of which are manufactured by Eyston Company Limited (Eyston) in the Peoples Republic of China (PRC), a principal supplier of the Company's products.

Our line of safety alarms consists of units powered by replaceable batteries, ten-year sealed batteries, or 120-volt units with a battery backup. Our replaceable battery products contain different types of batteries with different battery lives, and some include alarm silencers. The smoke alarms marketed to the electrical distribution trade also include hearing impaired and heat alarms with a variety of features. We also market door chimes, ventilation products, ground fault circuit interrupters (GFCI's), and other electrical devices.

Our wholly owned subsidiary, USI Electric, Inc., focuses its sales and marketing efforts to maximize safety product sales, especially smoke alarms and carbon monoxide alarms manufactured by Eyston, to the electrical distribution trade.

#### Import Matters

We import all our products. As an importer, we are subject to numerous tariffs which vary depending on types of products and country of origin, changes in economic and political conditions in the country of manufacture, potential trade restrictions, and currency fluctuations. Substantially all our safety products are imported from the People's Republic of China. Certain of these products are currently subject to tariffs of twenty-five percent.

We have attempted to protect ourselves from fluctuations in currency exchange rates to the extent possible by negotiating commitments in U.S. dollars. Our inventory purchases are also subject to delays in delivery due to problems with shipping and docking facilities, as well as other problems associated with purchasing products abroad.

#### Sales and Marketing; Customers

We sell our products to various customers, and our total sales market can be divided generally into two categories; sales by the Company to retailers, including wholesale distributors, chain, discount, television retailers and home center stores, catalog and mail order companies and other distributors ("retailers"), and sales by our USI Electric subsidiary to the electrical distribution trade (primarily

electrical and lighting distributors and manufactured housing companies) and foreign customers. Products marketed by the Company have historically been retailed to "do-it-yourself" consumers by these retailers. Products marketed by our USI Electric subsidiary to the electrical distribution trade typically require professional installation. We do not currently market a significant portion of our products directly to end users.

A significant portion of our sales are made by approximately 40 independent sales organizations, compensated by commission, which represents approximately 100 sales representatives, some of which have warehouses where USI Electric products are maintained for sale. In addition, the Company has established a national distribution system with eight regional stocking warehouses throughout the United States which generally enables customers to receive their orders the next day without paying for overnight freight charges. Our agreements with these sales organizations are generally cancelable by either party upon 30 days notice. We do not believe that the loss of any one of these organizations would have a material adverse effect upon our business. Sales are also made directly by the officers and full-time employees of the Company and our USI Electric subsidiary, some of whom have other responsibilities for the Company. Sales outside the United States are made by our officers and through exporters and amounted to less than five percent of total net sales in fiscal years 2024 and 2023.

We also market our products through our website and through our own sales catalogs and brochures, which are mailed directly to customers. Our customers, in turn, may advertise our products in their own catalogs and brochures and in their ads in newspapers and other media. We also exhibit and sell our products at various trade shows, including the annual National Hardware Show.

Our backlog of orders as of March 31, 2024, was approximately \$ 5,314,000. Our backlog as of March 31, 2023, was approximately \$2,382,000. The increase in backlog is primarily due to pending orders to a large retailer and to delays in receiving products from the factory for shipment to customers due to delays experienced in obtaining certain electronic components and delays in ocean freight shipments.

### **Suppliers**

The majority of our products are manufactured for us by Eyston and amounted to approximately 84.3% and 88.5% of our purchases for the fiscal years ended March 31, 2024, and 2023, respectively. Certain other private label products are also manufactured for us by foreign suppliers. We believe that our relationships with our suppliers are good. The loss of any of our other suppliers would have a short-term adverse effect on our operations, but replacement sources for these suppliers could be developed.

### **Competition**

In fiscal years 2024 and 2023, sales of safety products accounted for substantially all of our total sales. In the sale of smoke alarms and carbon monoxide alarms, we compete in all of our markets with First Alert and Walter Kidde Portable Equipment, Inc. These companies have greater financial resources and financial strength than we have. However, we believe that our safety products compete favorably in the market primarily on the basis of styling, features, and pricing.

The safety industry in general involves changing technology. The success of our products may depend on our ability to improve and update our products in a timely manner and to adapt to new technological advances.

### **Employees**

As of March 31, 2024, we had eleven employees, seven of whom are engaged in administration and sales, and the balance of whom are engaged in product development. Our employees are not unionized, and we believe that our relations with our employees are satisfactory.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

### **ITEM 1C. CYBERSECURITY.**

Our business is not dependent on the internet. Accordingly, we believe that the Company has minimal risks related to cybersecurity. Developing a program to identify, detect, prevent and remediate potential cybersecurity vulnerabilities, including those

arising from third-party hackers, hardware or software, is extremely costly and time consuming. Management believes that the minimal risk does not justify the significant expense needed to develop a program which will identify, detect, prevent or remediate cybersecurity risks.

During the year ended March 31, 2024, we did not identify any cybersecurity threats that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. However, we may not be aware of all vulnerabilities or might not accurately assess the risks of incidents, and such preventative measures cannot provide absolute security and may not be sufficient in all circumstances or mitigate all potential risks.

## **ITEM 2. PROPERTIES**

Effective March 2022, we extended our operating lease for a 15,000 square foot office and warehouse located in Baltimore County, Maryland to expire in April 2025 subject to a right to terminate the lease if the Company enters into a binding agreement to sell the assets of the Company. Monthly rental expense, with common area maintenance, currently approximates \$15,000 and increases 3.0% per year.

Effective March 2003, we entered into an operating lease for office space in Naperville, Illinois. This lease, consisting of 3,400 square feet, is continued on a month-to-month basis. The monthly rental, with common area maintenance, was approximately \$4,900 per month during the current fiscal year.

The Company believes that its current facilities are currently suitable and adequate.

## **ITEM 3. LEGAL PROCEEDINGS**

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

## PART II

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

#### Market for Common Stock

Our common stock, \$.01 par value (the "Common Stock") trades on the NYSE MKT LLC exchange, under the symbol UUU. As of March 31, 2024, there were 121 record holders of the Common Stock. The closing price for the Common Stock on that date was \$1.59. We have not paid any cash dividends on our common stock, and it is our present intention to retain all cash flow for use in future operations.

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

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

#### Forward-Looking Statements

When used in this discussion and elsewhere in this Annual Report on Form 10-K, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and readers are advised that various factors, including Risk Factors discussed in earlier filings, and other risks could affect our financial performance and could cause our actual results for future periods to differ materially from those anticipated or projected. We do not undertake and specifically disclaim any obligation to update any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

#### General

We are in the business of marketing and distributing safety and security products which are primarily manufactured in the Peoples Republic of China (PRC). Our consolidated financial statements detail our sales and other operational results. Accordingly, the following discussion and analysis of the fiscal years ended March 31, 2024, and 2023 relate to the operational results of the Company and its consolidated subsidiaries.

Our overall sales are primarily dependent upon the strength of the U.S. housing market. As stated elsewhere in this report, our USI Electric subsidiary markets our products to the electrical distribution trade (primarily electrical and lighting distributors and manufactured housing companies); conditions that impact new home construction and new home sales directly impacts sales by our USI Electric subsidiary. Our operating results for the fiscal years ended March 31, 2024, and 2023 continue to be dependent upon the economic conditions of the U.S. housing market.

We further believe that the movement of the smoke and carbon monoxide alarm retail markets toward ten-year sealed alarms to comply with new laws passed in several states will benefit future sales of our line of ten-year sealed battery units, GFCI's, and other electrical devices. The importation of certain wiring devices, carbon-monoxide alarms, and photo-electric alarms are currently subject to tariffs of 25%.

## Comparison of Results of Operations for the Years Ended March 31, 2024 and 2023

**Sales.** In fiscal year 2024, our net sales were \$19,902,673 compared to sales in the prior year of \$22,178,873, a decrease of \$2,276,200 (10.3%). The decrease in sales was primarily due to decreased sales to existing retail customers as a result of delays in obtaining certain electronic components used in manufacturing our products and due to delays in ocean freight shipments.

**Gross Profit.** Gross profit percentage is calculated as net sales less cost of goods sold expressed as a percentage of net sales. Our gross profit percentage for the fiscal year ended March 31, 2024, was 29.2% compared to 28.6% in fiscal 2023. The increase in 2024 gross margin is attributed to variations in the mix of products sold as certain products are subject to tariff charges that directly impact gross margin.

**Selling, General and Administrative Expense.** Selling, general and administrative expenses increased to \$5,645,584 in fiscal 2024 from \$4,974,453 in fiscal 2023. As a percentage of net sales, these expenses were 28.4% for the fiscal year ended March 31, 2024, and 22.4% for the fiscal year ended March 31, 2023. These expenses increased as a percentage of net sales as they do not change in direct proportion to a change in sales. These expenses increased as a dollar amount due primarily to increases in the provision for credit losses, salaries as the prior fiscal year reflected an employee retention credit, and due to increased freight costs, insurance, and professional fees.

**Engineering and Product Development.** Engineering and product development expense for the fiscal year ended March 31, 2024, was \$427,234. Engineering and product development expense for the fiscal year ended March 31, 2023, was \$402,692. The increase in overall engineering and product development expense for the 2024 period compared to the 2023 period was due to independent testing of products.

**Net Interest Expense and Interest Income.** For the fiscal years ended March 31, 2024, and 2023, the Company incurred net interest expense of \$155,731 and \$237,686, respectively, related to borrowing costs associated with interest paid on amounts borrowed from our factor. The decrease in interest expense resulted primarily from decreased borrowing from our factor during the fiscal year ended March 31, 2024.

For the fiscal year ended March 31, 2024 the Company received interest income of \$24,746 related to refunds of customs payments made in the prior fiscal year.

**Income Taxes.** For the fiscal years ended March 31, 2024, and 2023 our statutory Federal tax rate was 21.0%. The Company has accumulated net operating losses and other income tax credits for which a full valuation allowance has been established. Accordingly, income taxes or deferred income tax benefits indicated by the provision for income taxes as shown on the Consolidated Statements of Operations for the fiscal years ended March 31, 2024, and 2023 varies from the expected statutory rate. Footnote E to the financial statements provides a reconciliation of the amount of tax that would be expected at statutory rates and the amount of tax expense or benefit provided at the effective rate of tax for each fiscal period.

**Net (Loss) Income.** We reported a net loss of \$395,790 for the fiscal year 2024, compared to net income of \$720,411 for fiscal 2023, a decrease of \$1,116,201 (154.9%) in net income. The net loss for the fiscal year ended March 31, 2024, is attributed to decreased sales resulting from manufacturing delays caused by shortages of critical components and to delays experienced in ocean freight shipments, to increases in salaries as the prior fiscal year reflected an employee retention credit, an increase in the provision for credit losses, and due to increased freight costs, insurance, and professional fees.

## Financial Condition, Liquidity and Capital Resources

The Company reported a net loss of \$395,790, and net income of \$720,411 for the years ended March 31, 2024, and 2023, respectively. As of March 31, 2024, working capital (computed as the excess of current assets over current liabilities) decreased by \$391,075 from \$5,176,475 on March 31, 2023, to \$4,785,400 on March 31, 2024.

Our operating activities provided cash of \$604,076 for the year ended March 31, 2024. Operating activities provided cash principally by decreasing trade accounts receivable and amounts due from factor of \$354,794, and by increasing accounts payable and accrued expenses by \$1,382,394 and offset by increases in inventories of \$688,194, increased prepaid expenses of \$61,354, and a net loss of \$395,790.



Our operating activities provided cash of \$1,491,943 for the year ended March 31, 2023. Operating activities provided cash principally from a decrease in inventories of \$2,165,429, net income of \$720,411, and decreases in accounts receivable and amounts due from factor of \$425,165. Operating activities used cash principally due to repayment of accounts payable and accrued expenses of \$1,918,493.

Our investing activities did not provide or use cash during the fiscal years ended March 31, 2024, or 2023.

Financing activities used cash of \$690,497 reflecting the decrease in net borrowing from the Factor during the fiscal year ended March 31, 2024. Financing activities used cash of \$1,779,176 reflecting the decrease in net borrowing from the Factor of \$697,736 and the repayment of the Note Payable to Eyston in the amount of \$1,081,440 during the fiscal year ended March 31, 2023.

Our overall sales are primarily dependent upon the strength of the U.S. housing market. As stated elsewhere in this report, our USI Electric subsidiary markets our products to the electrical distribution trade (primarily electrical and lighting distributors and manufactured housing companies); demand in new home construction and new home sales directly impacts sales by our USI Electric subsidiary. Our operating results for the fiscal years ended March 31, 2024, and 2023 continue to be dependent upon the economic conditions of the U.S. housing market. Management believes that with an improved housing market and sales of our sealed products, the Company will continue to improve profitability.

Management expects our product offerings, including sealed battery alarm and ground fault circuit interrupter products, will compete in price and functionality with similar products offered by our larger competitors. While we believe there will be market acceptance of our products, we cannot be assured of this. Should our products not achieve the level of acceptance we anticipate, this could have a significant effect on our future operations, and our sales may decline, affecting our ability to continue operating in our current fashion.

Our short-term borrowings to finance operations, trade accounts receivable, and foreign inventory purchases are provided pursuant to the terms of our Factoring Agreement with Merchant Factors Corporation (Merchant or Factor). Borrowings under our Factoring Agreement bear interest at prime plus 2% and are secured by all of the Company's assets. Advances from Merchant are at the sole discretion of Merchant based on their assessment of the Company's receivables, inventory and financial condition at the time of each request for an advance. The unused availability of this facility totaled approximately \$610,000 on March 31, 2024.

#### **Related Party Transactions**

Pursuant to its written charter, the Audit Committee of the Board of Directors of the Company reviews and approves all transactions with related persons that are required to be disclosed under applicable regulation. During the fiscal year ended March 31, 2024, and 2023, inventory purchases and other company expenses of approximately \$1,699,000 and \$1,748,000, respectively, were charged to credit card accounts of Harvey B. Grossblatt, the Company's Chief Executive Officer and certain of his immediate family members. The Company subsequently reimbursed these charges in full. Mr. Grossblatt receives travel mileage and other credit card benefits from these charges. The maximum amount outstanding and due to Mr. Grossblatt at any point during the fiscal year ended March 31, 2024, and 2023 may include amounts submitted for personal expense reimbursement and amounts paid by Mr. Grossblatt for inventory purchases or other company expenses and amounted to approximately \$276,000 and \$217,000, respectively, and the amount outstanding at March 31, 2024 and 2023 is approximately \$0 and \$0, respectively.

#### **Critical Accounting Policies**

Management's discussion and analysis of our consolidated financial statements and results of operations is based upon our consolidated financial statements included as part of this document. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate these estimates, including those related to credit losses, inventories, income taxes, and contingencies and litigation. We base these estimates on historical experiences and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe that the following critical accounting policies affect management's more significant judgments and estimates used in the preparation of its consolidated financial statements. For a detailed discussion on the application of these and other accounting policies, see Note A to the consolidated financial statements included in this Annual Report. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty and actual results could differ from these estimates. These judgments are based on our historical experience, terms of existing contracts, current economic trends in the industry, information provided by our customers, and information available from outside sources, as appropriate. Our critical accounting policies include:

*Income Taxes:* The Company recognizes a liability or asset for the deferred tax consequences of temporary differences between the tax basis of assets or liabilities and their reported amounts in the consolidated financial statements. These temporary differences may result in taxable or deductible amounts in future years when the reported amounts of the assets or liabilities are recovered or settled. The deferred tax assets are reviewed periodically for recoverability and a valuation allowance is provided whenever it is more likely than not that a deferred tax asset will not be realized. After a review of projected taxable income, the components of the deferred tax asset, and current global economic conditions, it was determined that it is more likely than not that the tax benefits associated with the remaining components of the deferred tax assets will not be realized. This determination was made based on the Company's prior history of losses from operations and the uncertainty as to whether the Company will generate sufficient taxable income to use the deferred tax assets prior to their expiration. Accordingly, a valuation allowance was established to fully offset the value of the deferred tax assets. Our ability to realize the tax benefits associated with the deferred tax assets depends primarily upon the timing of future taxable income and the expiration dates of the components of the deferred tax assets. If sufficient future taxable income is generated, we may be able to offset a portion of future tax expenses.

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

*Revenue Recognition:* The Company's primary source of revenue is the sale of safety and security products based upon purchase orders or contracts with customers. Revenue is recognized at a point in time once the Company has determined that the customer has obtained control over the product. Control is typically deemed to have been transferred to the customer when the product is shipped or delivered to the customer. Customers may not return, exchange, or refuse acceptance of goods without our approval. Generally, the Company does not grant extended payment terms. Shipping and handling costs associated with outbound freight, after control over a product has transferred to a customer, are accounted for as a cost of completing the sale and are recorded in selling, general and administrative expense.

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

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

*Inventories:* Inventories are valued at the lower of cost or net realizable value. Cost is determined on the first in/first out method. We evaluate inventories on a quarterly basis and write down inventory that is deemed obsolete or unmarketable in an amount equal to the difference between the cost of inventory and the estimated net realizable value based upon assumptions about future demand and market conditions.

*Off-Balance Sheet Arrangements.* We have not created, and are not party to, any special-purpose or off balance sheet entities for the purpose of raising capital, incurring debt or operating parts of our business that are not consolidated into our financial statements and do not have any arrangements or relationships with entities that are not consolidated into our financial statements that are reasonably likely to materially affect our liquidity or the availability of our capital resources.

## **Concentrations**

The Company is primarily a distributor of safety products for use in home and business under both its trade names and private labels for other companies. The Company had three customers during the fiscal year ended March 31, 2024, that represented 13.7%, 13.7%, and 10.6% of the Company's net sales. The Company had one customer during the fiscal year ended March 31, 2023, that represented 18.2% of the Company's net sales. The Company had no customers in the fiscal years ended March 31, 2024 and 2023, that represented greater than 10% of the Company's accounts receivable. The Company acquires all the smoke alarm and carbon monoxide alarm safety products that it sells from Eyston Company, Ltd. Products manufactured for us by Eyston amounted to approximately 84.3% and 88.5% of our purchases for the fiscal years ended March 31, 2024, and 2023, respectively. At March 31, 2024, and 2023, the Company had accounts receivable due from Eyston of \$133,401 and \$75,947, respectively.

## **New Accounting Standards**

See Note A, Recently issued accounting pronouncements, in the Notes to the Consolidated Financial Statements for a discussion of recently adopted new accounting guidance and new accounting guidance not yet adopted.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The financial statements and supplementary data required by this Item 8 are included in the Company's Consolidated Financial Statements and set forth in the pages indicated in Item 15(a) of this Annual Report.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not applicable.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

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

### **Management's Annual Report on Internal Control over Financial Reporting**

Our management, including our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external reporting purposes in accordance with US GAAP. Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with US GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Our Chief Financial Officer, with the participation of our Chief Executive Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the 1992 framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was not effective as of March 31, 2024, because of a material weakness in internal control over financial reporting as discussed below.

Material weaknesses arose during the fiscal years ended March 31, 2024, and 2023, in the management review controls over classification of and disclosure of amounts within the financial statements. The Company plans to remediate the material weakness by clarification of the classification of amounts and inclusion of the required disclosures.

Material weaknesses arose during the fiscal years ended March 31, 2024, and 2023, in the management review controls over the classification of and accounting for income taxes. The Company plans to remediate the material weakness by clarification of the classification of amounts and inclusion of the required disclosures.

Material weaknesses arose during the fiscal year ended March 31, 2024, in management's review and control over documentation supporting entries posted to the Company's general ledger. The Company plans to remediate the material weakness by implementing procedures to improve documentation used to support entries to the Company's general ledger.

#### **Changes in Internal Control over Financial Reporting**

Except for the material weaknesses noted above there have been no other changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting during the quarter ended March 31, 2024.

#### **ITEM 9B. OTHER INFORMATION**

N o t a p p l i c a b l e.

### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information with respect to the identity and business experience of the directors of the Company and their remuneration set forth in the section captioned "Election of Directors" in the Company's definitive Proxy Statement filed pursuant to Regulation 14A and issued in conjunction with the 2024 Annual Meeting of Shareholders (the "Proxy Statement") is incorporated herein by reference. The information with respect to the identity and compensation of executive officers of the Company is in the Company's definitive Proxy Statement filed pursuant to Regulation 14A and issued in conjunction with the 2024 Annual Meeting of Shareholders is incorporated herein by reference. The information with respect to the Company's Audit Committee is incorporated herein by reference to the section captioned "Corporate Governance" in the Proxy Statement. The information with respect to compliance with Section 16(a) of the Exchange Act is incorporated herein by reference to the section captioned "Compliance with Section 16(a) of the Exchange Act" in the Proxy Statement. The information with respect to the Company's Code of Ethics is incorporated herein by reference to the section captioned "Code of Ethics" in the Proxy Statement.

#### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item is incorporated herein by reference to the sections captioned "Director Compensation" and "Executive Compensation" in the Proxy Statement.

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

The information required by this item regarding security ownership is incorporated herein by reference to the sections captioned "Beneficial Ownership" and "Information Regarding Share Ownership of Management" in the Proxy Statement. Information required by this item regarding our equity compensation plans is incorporated herein by reference to the Section entitled "Executive Compensation" in the Proxy Statement.

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

The information required by this item is incorporated herein by reference to the sections captioned "Transactions with Management", if any, and "Election of Directors" in the Proxy Statement.

#### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this item is incorporated herein by reference to the section captioned "Authorization For Appointment of Auditors" in the Proxy Statement.

**PART IV**

**ITEM 15. EXHIBITS**

**(a)1. Financial Statements.**

	<b>Page</b>
<a href="#">Report of Independent Registered Public Accounting Firm - PCAOB# 688</a>	F-1
<a href="#">Consolidated Balance Sheets as of March 31, 2024, and 2023</a>	F-2
<a href="#">Consolidated Statements of Operations for the Years Ended March 31, 2024, and 2023</a>	F-3
<a href="#">Consolidated Statements of Shareholders' Equity for the Years Ended March 31, 2024, and 2023</a>	F-4
<a href="#">Consolidated Statements of Cash Flows for the Years Ended March 31, 2024, and 2023</a>	F-5
<a href="#">Notes to Consolidated Financial Statements</a>	F-6

**(a)3. Exhibits required to be filed by Item 601 of Regulation S-K.**

Exhibit No.

- 3.1 [Articles of Incorporation \(incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 1988, File No. 1-31747\)](#)
- 3.2 [Articles Supplementary, filed October 14, 2003 \(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed October 31, 2002, file No. 1-31747\)](#)
- 3.3 [Bylaws, as amended \(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed July 13, 2011, File No. 1-31747\)](#)
- 10.1 [2011 Non-Qualified Stock Option Plan \(incorporated by reference to the Company's Proxy Statement with respect to the Company's 2011 Annual Meeting of Shareholders, filed July 26, 2011, File No. 1-31747\)](#)
- 10.3 [Discount Factoring Agreement between the Registrant and Merchant Factors Corp., dated January 6, 2015 \(substantially identical agreement entered into by USI's wholly-owned subsidiary, USI Electric, Inc.\) \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 16, 2015, file No. 1-31747\)](#)
- 10.4 [Lease between Universal Security Instruments, Inc. and St. John Properties, Inc. dated November 4, 2008 for its office and warehouse located at 11407 Cronhill Drive, Suites A-D, Owings Mills, Maryland 21117 \(incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2008, File No. 1-31747\), as amended by Amendment to Lease dated June 23, 2009 \(incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended March 31, 2009, File No. 1-31747\) and Amendment to Lease between Universal Security Instruments, Inc. and St. John Properties, Inc. dated March 3, 2022 \(Amendment to Lease dated June 23, 2009 \(incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended March 31, 2022, File No. 1-31747\)](#)
- 10.5 [Amended and Restated Employment Agreement dated July 18, 2007 between the Company and Harvey B. Grossblatt \(incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2007, File No. 1-31747\), as amended by Addendum dated November 13, 2007 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 15, 2007, File No. 1-31747\), by Addendum dated September 8, 2008 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 8, 2008, File No. 1-31747\), by Addendum dated March 11, 2010 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 12, 2010, File No. 1-31747\), by Addendum dated July 19, 2012 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 20, 2012, File No. 1-31747\), by Addendum dated July 3, 2013 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 8, 2013, File No. 1-31747\), and by Addendum dated July 21, 2014 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 21, 2014, File No. 1-31747\), by addendum dated July 23, 2015 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 28, 2015, File No. 1-31747\), by addendum dated July 12, 2016 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 12, 2016, File No. 1-31747\) by addendum dated July 18, 2017 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 20, 2017, File No. 1-31747\), by addendum dated July 9, 2018 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 9, 2018, File No. 1-31747\), by addendum dated July 12, 2019 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 16, 2019, File No. 1-31747\), by addendum dated July 27, 2020 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 27, 2020, File No. 1-31747\), by addendum dated July 28, 2021 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 28, 2021, File No. 1-31747\), by addendum dated July 22, 2022 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 28, 2022, file No. 1-31747\), and by addendum dated June 12, 2023 \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 13, 2023, file No. 1-31747\).](#)

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21	<a href="#">Subsidiaries of the Registrant (incorporated by reference to Exhibit 21 to the Company's Annual Report on Form 10-K for the year ended March 31, 2022, File No. 1-31747)</a>
23.1	<a href="#">Independent Registered Public Accounting Firm's Consent</a>
31.1	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer*</a>
31.2	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer*</a>
32.1	<a href="#">Section 1350 Certifications*</a>
99.1	<a href="#">Press Release dated July 12, 2024*</a>
101	Interactive data files providing financial information from the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2024 in XBRL (eXtensible Business Reporting Language) pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets as of March 31, 2024 and 2023; (ii) Consolidated Statements of Operations for the years ended March 31, 2024 and 2023 (iii) Consolidated Statements of Shareholders' Equity for the years ended March 31, 2024 and 2023; (iv) Consolidated Statements of Cash Flows for the years ended March 31, 2024 and 2023; and (v) Notes to Consolidated Financial Statements*

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\* Filed herewith.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNIVERSAL SECURITY INSTRUMENTS, INC.

July 12, 2024

By: /s/ Harvey B. Grossblatt

Harvey B. Grossblatt  
President and Chief Executive Officer  
(principal executive officer)

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Harvey B. Grossblatt</u> Harvey B. Grossblatt	President, Chief Executive Officer and Director	July 12, 2024
<u>/s/ James B. Huff</u> James B. Huff	Chief Financial Officer (principal financial officer and principal accounting officer)	July 12, 2024
<u>/s/ Cary Luskin</u> Cary Luskin	Director	July 12, 2024
<u>/s/ Ronald A. Seff</u> Ronald A. Seff	Director	July 12, 2024
<u>/s/ Ira Bormel</u> Ira Bormel	Director	July 12, 2024



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of  
Universal Security Instruments, Inc. and Subsidiaries

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Universal Security Instruments, Inc. and Subsidiaries (the "Company") as of March 31, 2024 and 2023, the related consolidated statements of operations, shareholders' equity and cash flows for each of the two years in the period ended March 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2024 and 2023, and the results of its operations and its cash flows for each of the two years in the period ended March 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

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

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

### Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2015.

Philadelphia, PA  
July 12, 2024

**UNIVERSAL SECURITY INSTRUMENTS, INC., AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

ASSETS	March 31,	
	2024	2023
<b>CURRENT ASSETS</b>		
Cash	\$ 65,081	\$ 151,502
Accounts receivable:		
Trade, less provision for credit losses of \$325,000 in 2024, and 157,012 in 2023	1,101,991	414,689
Other receivables	5,500	305,889
	1,107,491	720,578
Amount due from factor	2,202,663	2,944,370
Inventories – finished goods	4,751,826	4,063,632
Prepaid expenses	226,732	165,378
<b>TOTAL CURRENT ASSETS</b>	<b>8,353,793</b>	<b>8,045,460</b>
INTANGIBLE ASSETS - NET	31,301	35,773
PROPERTY AND EQUIPMENT - NET	159,656	318,641
<b>TOTAL ASSETS</b>	<b>\$ 8,544,750</b>	<b>\$ 8,399,874</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Line of credit – factor	\$ 768,853	\$ 1,459,350
Short-term portion of operating lease liability	158,742	151,230
Accounts payable – trade	870,323	293,465
Accounts payable – Eyston Company Ltd.	1,501,169	655,000
Accrued liabilities:		
Accrued payroll and employee benefits	154,878	125,415
Accrued commissions and other	114,428	184,525
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,568,393</b>	<b>2,868,985</b>
LONG-TERM PORTION OF OPERATING LEASE LIABILITY	13,330	172,072
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>13,330</b>	<b>172,072</b>
COMMITMENTS AND CONTINGENCIES	—	—
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, \$.01 par value per share; 20,000,000 shares authorized, 2,312,887 shares issued and outstanding at March 31, 2024 and 2023	23,129	23,129
Additional paid-in capital	12,885,841	12,885,841
Accumulated Deficit	( 7,945,943 )	( 7,550,153 )
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>4,963,027</b>	<b>5,358,817</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 8,544,750</b>	<b>\$ 8,399,874</b>

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

**UNIVERSAL SECURITY INSTRUMENTS, INC., AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Year Ended March 31,	
	2024	2023
Net sales	\$ 19,902,673	\$ 22,178,873
Cost of goods sold	14,094,660	15,829,154
GROSS PROFIT	5,808,013	6,349,719
Selling, general and administrative expense	5,645,584	4,974,453
Engineering and product development expense	427,234	402,692
Operating (loss) income	( 264,805 )	972,574
Other (expense) income:		
Interest income	24,746	—
Interest expense	( 155,731 )	( 237,686 )
(Loss) Income before income taxes	( 395,790 )	734,888
Income tax expense	—	14,477
NET (LOSS) INCOME	\$ ( 395,790 )	\$ 720,411
(Loss) Earnings per share:		
Basic and diluted	\$ ( 0.17 )	\$ 0.31
Shares used in computing net (loss) earnings per share:		
Weighted average basic and diluted shares outstanding	2,312,887	2,312,887

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

**UNIVERSAL SECURITY INSTRUMENTS, INC., AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balance at April 1, 2022	2,312,887	\$ 23,129	\$ 12,885,841	\$( 8,270,564 )	\$ 4,638,406
Net income				720,411	720,411
Balance at March 31, 2023	2,312,887	23,129	12,885,841	( 7,550,153 )	5,358,817
Net loss				( 395,790 )	( 395,790 )
Balance at March 31, 2024	<u>2,312,887</u>	<u>\$ 23,129</u>	<u>\$ 12,885,841</u>	<u>\$( 7,945,943 )</u>	<u>\$ 4,963,027</u>

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

**UNIVERSAL SECURITY INSTRUMENTS, INC., AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended March 31,	
	2024	2023
<b>OPERATING ACTIVITIES:</b>		
Net (Loss) Income	\$ ( 395,790 )	\$ 720,411
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	7,692	11,692
Depreciation of right-of-use asset and decrease in other assets	155,764	155,764
Changes in operating assets and liabilities:		
Decrease in accounts receivable and amount due from factor	354,794	425,165
(Increase) Decrease in inventories	( 688,194 )	2,165,429
(Increase) Decrease in prepaid expenses	( 61,354 )	75,964
Increase (Decrease) in accounts payable and accrued expenses	1,382,394	( 1,918,493 )
Decrease in operating lease liability	( 151,230 )	( 143,989 )
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>604,076</b>	<b>1,491,943</b>
<b>FINANCING ACTIVITIES:</b>		
Repayment of Note Payable - Eyston	—	( 1,081,440 )
Net repayment of line of credit - factor	( 690,497 )	( 697,736 )
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>( 690,497 )</b>	<b>( 1,779,176 )</b>
<b>(DECREASE) IN CASH</b>	<b>( 86,421 )</b>	<b>( 287,233 )</b>
Cash at beginning of year	151,502	438,735
<b>CASH AT END OF YEAR</b>	<b>\$ 65,081</b>	<b>\$ 151,502</b>
<b>Supplemental information:</b>		
Interest paid	\$ 155,731	\$ 237,686

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

**UNIVERSAL SECURITY INSTRUMENTS, INC., AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business: Universal Security Instruments, Inc.'s (the "Company") primary business is the sale of smoke alarms and other safety products to retailers, wholesale distributors and to the electrical distribution trade which includes electrical and lighting distributors as well as manufactured housing companies. The Company imports all of its safety and other products from foreign manufacturers. The Company, as an importer, is subject to tariffs which vary depending on types of products and country of origin, changes in economic and political conditions in the country of manufacture, potential trade restrictions and currency fluctuations.

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America (US-GAAP), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate these estimates, including those related to credit losses, inventories, income taxes, and contingencies and litigation. We base these estimates on historical experiences and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily available from other sources. Actual results could differ from those estimates.

Cash: The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk with cash.

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

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

Disaggregation of Revenue: The Company presents below revenue associated with sales of safety alarm products separately from revenue associated with sales of ground fault circuit interrupters (GFCI's) and ventilation fans. The Company believes this disaggregation best depicts how our various product lines perform and are affected by economic factors. Revenue recognized by these categories for the fiscal years ended March 31, 2024, and 2023 are as follows:

	Fiscal Year ended	
	March 31, 2024	March 31, 2023
Sales of safety alarms	\$ 17,239,535	\$ 18,691,090
Sales of GFCI's and ventilation fans	2,663,138	3,487,783
	<u>\$ 19,902,673</u>	<u>\$ 22,178,873</u>

Accounts Receivable: The Company assigns the majority of its trade receivables on a pre-approved non-recourse basis to Merchant Factors Corporation (Merchant or Factor) under a factoring agreement on an ongoing basis. Factoring charges recognized on assignment of receivables are deducted from revenue in the consolidated statements of operations and amounted to \$ 174,074 and \$ 191,225 for the years ended March 31, 2024, and 2023, respectively.

Management considers amounts due from the Company's factor to be "financing receivables". Trade accounts receivable, foreign receivables, and receivables from our suppliers are not considered to be financing receivables.

At the time a receivable is assigned to our factor, the credit risk associated with the credit worthiness of the debtor is assumed by the factor. The Company continues to bear any credit risk associated with delivery or warranty issues related to the products sold.

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

Based on the nature of the factoring agreement and prior experience, no provision for credit losses related to Amounts Due from Factor has been provided. At March 31, 2024 and 2023, a provision for credit losses of approximately \$ 325,000 and approximately \$ 157,000 , respectively, has been provided for uncollectible trade accounts receivable.

Inventories: Inventories are stated at the lower-of-cost (first in/first out method) or net realizable value. Included as a component of finished goods inventory are additional non-material costs. These costs include freight, import duty, tariffs, and inspection fees. Expenses incurred for inventory quality control in the amount of approximately \$ 45,000 and \$ 45,000 , were absorbed in inventory for the fiscal years ended March 31, 2024, and 2023, respectively. We evaluate inventories on a quarterly basis and write down inventory that is considered obsolete or unmarketable in an amount equal to the difference between the cost of inventory and the estimated net realizable value based upon assumptions about future demand and market conditions.

Impairment of long-lived assets : Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the asset group may not be recoverable. The factors considered in performing this assessment include current operating results, anticipated future results, the manner in which the asset group is used and the effects of obsolescence, demand, competition and other economic factors. Accordingly, when indicators of impairment are present, the Company evaluates the carrying value of these asset groups in relation to the operating performance of the business and future undiscounted cash flows expected to result from the use of these asset groups. Impairment losses are recognized when the sum of expected future cash flows is less than the asset groups carrying value, and losses are determined based upon the excess carrying value of the asset group over its fair value. Based on this assessment, no impairment to long-lived assets resulted for fiscal years ended March 31, 2024, and 2023.

Leases: The Company determines if an arrangement is a lease at inception. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company estimates the incremental borrowing rate to discount the lease payments based on information available at lease commencement. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options. The Company utilizes certain practical expedients for short-term leases, including the election not to reassess its prior conclusions about lease identification, lease

classification and initial direct costs, as well as the election not to separate lease and non-lease components for arrangements where the Company is a lessee. See Note D, Leases.

**Income Taxes:** The Company recognizes a liability or asset for the deferred tax consequences of temporary differences between the tax basis of assets or liabilities and their reported amounts in the consolidated financial statements. These temporary differences may result in taxable or deductible amounts in future years when the reported amounts of the assets or liabilities are recovered or settled. The deferred tax assets are reviewed periodically for recoverability and a valuation allowance is provided whenever it is more likely than not that a deferred tax asset will not be realized.

The Company follows Accounting Standards Codification (ASC) 740-10 that gives guidance to tax positions related to the recognition and measurement of a tax position taken or expected to be taken in a tax return and requires that we recognize in our financial statements the impact of a tax position, if that position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, related to income tax matters are recorded as income tax expenses. See Note E, Income Taxes.

**Warranties:** We generally provide warranties, on the safety products, to the non-commercial end user on all products sold. The manufacturers of our safety products offer the company a discount on products purchased to cover the cost of providing warranty replacements. Claims for warranty replacement of products covered by the manufacturers have not been historically material.

**Engineering and Product Development:** Engineering and product development costs are charged to operations as incurred.

**Shipping and Handling Fees and Costs:** The Company includes shipping and handling fees billed to customers in net sales. Shipping and handling costs associated with inbound freight are included in cost of goods sold. Shipping and handling costs associated with outbound freight are included in selling, general and administrative expenses and totaled \$ 561,075 and \$ 524,016 in fiscal years 2024 and 2023, respectively.

**Net (Loss) Earnings per Share:** Basic net(loss) earnings per share is computed by dividing net (loss) earnings for the year by the weighted average number of common shares outstanding during the year. Diluted (loss) earnings per share is computed by dividing net (loss) income for the year by the weighted average number of common shares and common share equivalents outstanding (unless their effect is anti-dilutive) for the year. As a result, the weighted average number of common shares outstanding is identical for both basic and diluted shares. In addition, there were no other securities outstanding during 2024 or 2023 other than common stock.

**Recently Issued Accounting Standards:** Changes to US-GAAP are established by the Financial Accounting Standards Board (FASB) in the form of Accounting Standards Updates (ASU's) to the FASB's Accounting Standards Codification. The Company considers the applicability and impact of all ASU's. Management adopted ASU 2016-02 related to credit losses effective April 1, 2023. Management determined that adoption of the guidance of the ASU did not have a material impact on the consolidated financial statements on the date of adoption or for the fiscal year ended March 31, 2024. Management has reviewed ASU 2023 - 07 related to segment reporting effective November 27, 2023. While the adoption of the ASU is still under consideration, management believes that adoption of the guidance of the ASU would not have a material impact on the consolidated financial statements on the date of adoption or for the fiscal year ended March 31, 2024.

## **NOTE B – SHORT-TERM BORROWINGS AND CREDIT ARRANGEMENTS**

The Company entered into an Agreement with Merchant Financial Group (Merchant) for the purpose of factoring the Company's trade accounts receivable. Under the Agreement the Company may borrow eighty percent (80%) of eligible accounts receivable. The Agreement, as supplemented, provides for additional financing at the sole discretion of Merchant to be secured by inventory. The Agreement, which was extended and expires on January 6, 2026, provides for continuation of the program for successive two-year periods until terminated by one of the parties to the Agreement. The amount available to borrow from Merchant is approximately \$610,000 at March 31, 2024. Advances on factored trade accounts receivable are secured by all assets, are repaid periodically as collections are made by Merchant but are otherwise due upon demand, and bear interest at the prime commercial rate of interest, as published, plus two percent (effective rate 10.5% and 10.0% at March 31, 2024 and March 31, 2023, respectively). Advances under the Agreement are made at the sole discretion of Merchant, based on their assessment of the receivables and inventory, and our financial condition at the time of each request for an advance. At March 31, 2024 and 2023 there was \$ 768,853 and \$ 1,459,350 borrowed and outstanding under the factoring agreement, respectively.



During the fiscal year ending March 31, 2024, a temporary provision by Merchant to provide additional funding of up to \$ 500,000 , characterized by Merchant as an over advance, and that provided funding up to one hundred percent ( 100 %) of eligible accounts receivable, expired. In June 2024, subsequent to the fiscal year ending March 31, 2024, additional funding, characterized by Merchant as an over advance, and providing funding of up to \$ 1,600,000 secured by inventory was approved by Merchant.

Under the Agreement, the Company assigned receivables of \$ 18,668,543 and \$ 22,581,988 during the years ended March 31, 2024, and 2023, respectively. The uncollected balance of receivables held by the factor amounted to \$ 2,202,663 and \$ 2,944,370 at March 31, 2024 and 2023. Included in the uncollected balance of receivables held by the factor are amounts classified by the factor as amounts at client risk of approximately \$ 372,000 and \$ 633,000 at March 31, 2024 and 2023, respectively. Collected cash maintained on deposit with the factor earns interest at the factor's prime rate of interest less 2.5 percent (effective rate of 6.0% and 5.5% at March 31, 2024 and 2023, respectively.) There was no cash on deposit with the Factor at March 31, 2024 or 2023.

#### NOTE C – PROPERTY AND EQUIPMENT - NET

Property and equipment are recorded at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided by using the straight-line method based on estimated useful lives. Expenditures for major betterments that extend the useful life of property and equipment are capitalized. Repair and maintenance costs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is included in the results of operations.

The estimated useful lives for financial reporting purposes are as follows:

Leasehold improvements	-	Shorter of term of lease or useful life of asset
Machinery and equipment	-	5 to 10 years
Furniture and fixtures	-	5 to 15 years
Computer equipment	-	5 years

Property and equipment consist of the following:

	March 31,	
	2024	2023
Leasehold improvements	\$ 1,119,961	\$ 1,119,961
Machinery and equipment	190,400	190,400
Furniture and fixtures	261,292	261,292
Computer equipment	302,634	302,634
	1,874,287	1,874,287
Less accumulated depreciation	( 1,714,631 )	( 1,555,646 )
	<u>\$ 159,656</u>	<u>\$ 318,641</u>

Depreciation and the amortization of intangibles totaled \$ 163,457 , which includes \$ 155,764 of amortization of right-of-use lease asset for fiscal year ended March 31, 2024. For the fiscal year ended March 31, 2023, depreciation expense totaled \$ 158,986 which included \$ 155,764 of amortization of right-of-use lease asset. Right-of-use lease assets of \$ 155,763 and \$ 311,527 , net, are included in leasehold improvements in Property and Equipment on the Consolidated Balance Sheets as of March 31, 2024, and 2023, respectively.

#### NOTE D – LEASES

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

measurement of the Company's lease liabilities to the extent that such payments are either fixed amounts or variable lease amounts based on a rate or index (fixed in substance) as stipulated in the lease contract.

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

The Company maintains an operating lease for office space in Naperville, Illinois. This lease, consisting of 3,400 square feet, and renews on a month-to-month basis. The monthly rental, with common area maintenance, was approximately \$ 4,900 per month during the current fiscal year.

Our operating leases for real estate are generally renewable with terms and conditions similar to the original lease. Rent expense, including common area maintenance, totaled approximately \$ 293,000 and \$ 266,000 for the years ended March 31, 2024, and 2023, respectively. None of the Company's lease agreements contain any residual value guarantees or material restrictive covenants. As a result of the Company's election of the package of practical expedients permitted within ASC 842, which among other things, allows for the carryforward of historical lease classification of the Company's lease agreements in existence at the date of adoption that were classified as operating leases under ASC 840 have been classified as operating leases under ASC 842. Lease expense for payments related to the Company's operating leases is recognized on a straight-line basis over the related lease term, which includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Right-of-use assets represent the Company's right to use an underlying asset during the lease term and lease liabilities represent the Company's obligation to make lease payments as specified in the lease. Right-of-use assets and lease liabilities related to the Company's operating leases are recognized at the lease commencement date based on the present value of the remaining lease payments over the lease term and amounted to approximately \$ 485,000 at the date of adoption and increased by approximately \$ 468,000 effective with the lease amendment and extension dated March 2022. When the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available surrounding the Company's borrowing rates at the lease commencement date in determining the present value of lease payments. The right-of use asset also includes any lease payments made at or before lease commencement less any lease incentives. As of March 31, 2024, the Company had right-of-use assets of \$ 155,763 and lease liabilities of \$ 172,072 related to its operating leases. Right-of-use assets are included in property and equipment, net, on the consolidated balance sheet and lease liabilities related to the Company's operating leases are included in short-term and long-term lease liability on the consolidated balance sheet. As of March 31, 2024, the Company's weighted-average remaining lease term and weighted-average discount rate related to its operating leases is one year and 5.5 %, respectively. During the fiscal year ended March 31, 2024, the cash paid for amounts included in the measurement of lease liabilities related to the Company's operating leases was \$ 158,985 , which is included as an operating cash outflow within the consolidated statements of cash flows. During the fiscal year ended March 31, 2024, the operating lease costs related to the Company's operating leases was \$ 184,056 which is included in operating costs and expenses in the consolidated statements of operations.

As of March 31, 2023, the Company had right-of-use assets of \$ 311,527 and lease liabilities of \$ 323,302 related to its operating leases. Right-of-use assets are included in property and equipment, net, on the consolidated balance sheet and lease liabilities related to the Company's operating leases are included in short-term and long-term lease liability on the consolidated balance sheet. As of March 31, 2023, the Company's weighted-average remaining lease term and weighted-average discount rate related to its operating leases is two years and 5.5 %, respectively. During the fiscal year ended March 31, 2023, the cash paid for amounts included in the measurement of lease liabilities related to the Company's operating leases was \$ 143,989 , which is included as an operating cash outflow within the consolidated statements of cash flows. During the fiscal year ended March 31, 2023, the operating lease costs related to the Company's operating leases was \$ 184,370 which is included in operating costs and expenses in the consolidated statements of operations.

The future minimum payments under operating leases were as follows at March 31, 2024:

2025	\$ 160,567
2026	13,381
Total operating lease payments	\$ 173,948
Less: amounts representing interest	( 1,876 )
Present value of net operating lease payments	\$ 172,072
Less: current portion	( 158,742 )
Long-term portion of operating lease obligations	\$ 13,330

#### NOTE E – INCOME TAXES

The Company files its income tax returns in the U.S. federal jurisdiction, and various state jurisdictions. Federal income tax returns filed for the fiscal years ended March 31, 2023, 2022, and 2021 are considered open and subject to examination by tax authorities. Deferred income tax assets and liabilities are computed and recognized for those differences that have future tax consequences and will result in net taxable or deductible amounts in future periods. Deferred tax expense or benefit is the result of changes in the net asset or liability for deferred taxes. The deferred tax liabilities and assets for the Company result primarily from net operating loss and tax credit carry forwards, reserves, and accrued liabilities.

At March 31, 2024, the Company has total net federal operating loss carry forwards and of approximately \$ 5,353,000 that has no fixed expiration date. In addition, the Company has research and development tax credit carry forwards of approximately \$ 36,000 that begin to expire in the fiscal year ending 2030. There are certain limitations to the use and application of these items. Management reviews net operating loss carry forwards and income tax credit carry forwards to evaluate if those amounts are recoverable. After a review of projected taxable income, the components of the deferred tax asset, and the current global economic conditions, it was determined that it is more likely than not that the tax benefits associated with the remaining components of the deferred tax assets will not be realized. This determination was made based on the Company's prior history of losses from operations and the uncertainty as to whether the Company will generate sufficient taxable income to use the deferred tax assets prior to their expiration. Accordingly, a valuation allowance was established to fully offset the value of the deferred tax assets. Our ability to realize the tax benefits associated with the deferred tax assets depends primarily upon the timing of future taxable income and the expiration dates of the components of the deferred tax assets. If sufficient future taxable income is generated, we may be able to offset a portion of future tax expenses.

The reconciliation between the statutory federal income tax provision and the actual effective tax provision is as follows:

	Years ended March 31,	
	2024	2023
Federal (benefit) tax at statutory rate ( 21 %) before loss carry-forward	\$( 83,116 )	\$ 154,326
Permanent and other differences	65,581	( 24,657 )
State income (benefit) tax – net of federal effect	( 18,761 )	24,558
Change in deferred tax asset valuation allowance	36,296	( 139,750 )
Current income tax expense	\$ 0	\$ 14,477

The individual components of the Company's deferred tax assets are as follows:

	March 31,	
	2024	2023
Deferred tax assets:		
Accruals and allowances	\$ 103,554	\$ 68,553
Non-deductible capitalized inventory	11,900	6,196
Net operating loss carry forward	1,124,212	1,103,173
Research and development tax credit carry forward	36,253	61,701
Allowance for unrealizable deferred tax assets	( 1,275,919 )	( 1,239,623 )
Net deferred tax asset	\$ —	\$ —

#### **NOTE F – COMMITMENTS AND CONTINGENCIES**

From time to time, the Company is involved in various lawsuits and legal matters. It is the opinion of management, based on consultation with legal counsel, that there are no outstanding material claims outside of the normal course of business.

The Company's employment agreement with its CEO (the "CEO Agreement") requires the Company to make certain post-employment payments to the CEO in the event of his termination following a change in control, death, disability, non-renewal, or resignation under terms of the CEO Agreement. Additionally, the CEO Agreement requires the Company to make post-employment payments, which can range from approximately \$ 74,000 to \$ 2,048,000 , dependent upon the controlling event, as discussed above. In June, 2023, the Company renewed the CEO Agreement through July 31, 2024.

#### **NOTE G - CONCENTRATIONS**

The Company is primarily a distributor of safety products for use in home and business under both its trade names and private labels for other companies. The Company had three customers during the fiscal year ended March 31, 2024, that represented 13.7 %, 13.7 %, and 10.6 % of the Company's net sales. The Company had one customer during the fiscal year ended March 31, 2023, that represented 18.2 % of the Company's net sales. The Company had no customers in the fiscal years ended March 31, 2024, and 2023 that represented greater than 10% of the Company's accounts receivable. The Company acquires all the smoke alarm and carbon monoxide alarm safety products that it sells from Eyston Company, Ltd. Products manufactured for us by Eyston amounted to approximately 84.3 % and 88.5 % of our purchases for the fiscal years ended March 31, 2024, and 2023, respectively. At March 31, 2024, and 2023, the Company had accounts receivable due from Eyston of \$ 133,401 and \$ 75,947 , respectively.

#### **NOTE H – RETIREMENT PLAN**

The Company has a retirement savings plan under Section 401(k) of the Internal Revenue Code. All full-time employees who have completed 12 months of service are eligible to participate. Employees are permitted to contribute up to the amounts prescribed by law. The Company may provide contributions to the plan consisting of a matching amount equal to a percentage of the employee's contribution, not to exceed four percent ( 4 %). Employer contributions were \$ 47,262 and \$ 45,777 for the years ended March 31, 2024, and 2023, respectively.

#### **NOTE I – RELATED PARTY TRANSACTIONS**

During the fiscal year ended March 31, 2024, and 2023, inventory purchases and other company expenses of approximately \$ 1,699,000 and \$ 1,748,000 , respectively, were charged to credit card accounts of Harvey B. Grossblatt, the Company's Chief Executive Officer and certain of his immediate family members. The Company subsequently reimbursed these charges in full. Mr. Grossblatt receives travel mileage and other credit card benefits from these charges. The maximum amount outstanding and due to Mr. Grossblatt at any point during the fiscal year ended March 31, 2024, and 2023 may include amounts submitted for personal expense reimbursement and amounts paid by Mr. Grossblatt for inventory purchases or other company expenses and amounted to approximately \$ 276,000 and \$ 217,000 , respectively, and the amount outstanding at March 31, 2024 and 2023 is approximately \$ 0 and \$ 0 , respectively.

#### **NOTE J – INTANGIBLE ASSETS - NET**

Intangible assets consist of legal expenses of \$ 89,434 incurred in obtaining and perfecting patents used by the Company in newly developed detector technology and are capitalized for financial statement purposes. Upon issuance, patents are amortized on a straight-line basis over twenty years . Amortization expense for the fiscal year ended March 31, 2024, and 2023 was \$ 4,474 and \$ 4,470 , respectively. Accumulated amortization at March 31, 2024 and 2023 was \$ 58,133 and \$ 53,661 , respectively. Amortization expense for the next five years is expected to be \$ 4,472 per fiscal year through 2027.

#### **NOTE K – SHAREHOLDERS' EQUITY**

Under the terms of the Company's 2011 Non-Qualified Stock Option Plan, 120,000 shares of common stock are reserved for the granting of stock options. There were no stock options outstanding at March 31, 2024 or 2023.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of Universal Security Instruments, Inc. and Subsidiaries on Form S-8 (File No. 333-182633) of our report dated July 12, 2024, with respect to our audits of the consolidated financial statements of Universal Security Instruments, Inc. and Subsidiaries as of March 31, 2024 and 2023 and for the years then ended, which report is included in this Annual Report on Form 10-K of Universal Security Instruments, Inc. and Subsidiaries for the year ended March 31, 2024.

/s/ Marcum LLP

Marcum LLP  
Philadelphia, PA  
July 12, 2024

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## CERTIFICATION

I, Harvey B. Grossblatt, certify that:

1. I have reviewed this Annual Report on Form 10-K of Universal Security Instruments, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: July 12, 2024

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

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## CERTIFICATION

I, James B. Huff, certify that:

1. I have reviewed this Annual Report on Form 10-K of Universal Security Instruments, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: July 12, 2024

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

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## SECTION 1350 CERTIFICATIONS

In connection with the Annual Report of Universal Security Instruments, Inc. (the "Company") on Form 10-K for the fiscal year ended March 31, 2024, as filed with the Securities and Exchange Commission and to which this Certification is an exhibit (the "Report"), the undersigned hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: July 12, 2024

/s/ Harvey B. Grossblatt  
Harvey B. Grossblatt  
President and Chief Operating Officer

Date: July 12, 2024

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

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**For Immediate Release**  
Contact: Harvey Grossblatt, President  
Universal Security Instruments, Inc.  
410-363-3000, Ext. 224  
Or  
Zachary Mizener  
Lambert & Co.  
315-529-2348

## **Universal Security Instruments Announces its Fourth-Quarter and Year-End Results**

OWINGS MILLS, Md. July 12, 2024 - Universal Security Instruments, Inc. (NYSE Amex: UUU) today announced its financial results for the fourth quarter and its fiscal year ended March 31, 2024.

The Company reported:

- For the fourth quarter ended March 31, 2024, sales decreased \$1,096,298 (18.5%) to \$4,831,469 from \$5,927,767 from the comparable period last year. The Company reported a net loss of \$476,671, or \$0.21 per basic and diluted share compared to net income of \$284,635, or \$0.12 per basic and diluted share for the comparable period of the previous year.
- For the twelve months ended March 31, 2024, sales decreased \$2,276,200 (10.3%) to \$19,902,673 versus \$22,178,873 for the fiscal year ended March 31, 2023. The Company reported a net loss of \$395,790, or \$0.17 per basic and diluted share, versus net income of \$720,411 or \$0.31 per basic and diluted share, for the same period last year. Results for the twelve months ended March 31, 2023, included the receipt of a federal employee retention credit of approximately \$181,000 during the second fiscal quarter of the fiscal year.

Harvey Grossblatt, President and Chief Executive Officer said, "Included in the current year results is approximately \$150,000 related to an insurance audit of a prior year and an increase in the provision for credit losses of approximately \$168,000 recorded in the fourth fiscal quarter. The increase in the provision for credit losses includes amounts with respect to which the Company has filed suit against one of its customers. In addition, sales were impacted by supply chain issues and rising ocean freight rates."

**11407 CRONHILL DRIVE, SUITE A · OWINGS MILLS, MARYLAND 21117, USA**  
**(410) 363-3000 · [www.universalsecurity.com](http://www.universalsecurity.com)**

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

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

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**UNIVERSAL SECURITY INSTRUMENTS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	(UNAUDITED) Three Months Ended March 31,	
	2024	2023
Net sales	\$ 4,831,469	\$ 5,927,767
Net (loss) income	(476,671)	284,635
Net (loss) income per share – basic and diluted	(0.21)	0.12
Weighted average number of common shares outstanding Basic and diluted	2,312,887	2,312,887

	Fiscal Year Ended March 31,	
	2024	2023
Net sales	\$ 19,902,673	\$ 22,178,873
Net (loss) income	(395,790)	720,411
Net (loss) income per share – basic and diluted	(0.17)	0.31
Weighted average number of common shares outstanding Basic and diluted	2,312,887	2,312,887

**CONDENSED CONSOLIDATED BALANCE SHEETS**

ASSETS	March 31,	
	2024	2023
Cash	\$ 65,081	\$ 151,502
Accounts receivable and amount due from factor	3,310,154	3,664,948
Inventory	4,751,826	4,063,632
Prepaid expenses	226,732	165,378
<b>TOTAL CURRENT ASSETS</b>	<b>8,353,793</b>	<b>8,045,460</b>
PROPERTY AND EQUIPMENT – NET	159,656	318,641
OTHER ASSETS	31,301	35,773
<b>TOTAL ASSETS</b>	<b>\$ 8,544,750</b>	<b>\$ 8,399,874</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Line of credit - factor	\$ 768,853	\$ 1,459,350
Short-term portion of operating lease liability	158,742	151,230
Accounts payable– Trade	2,371,492	948,465
Accrued liabilities	269,306	309,940
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,568,393</b>	<b>2,868,985</b>
LONG-TERM PORTION OF OPERATING LEASE LIABILITY	13,330	172,072
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>13,330</b>	<b>172,072</b>
COMMITMENTS AND CONTINGENCIES	—	—
SHAREHOLDERS' EQUITY		
Common stock, \$.01 par value per share; 20,000,000 authorized, 2,312,887 shares issued and outstanding at March 31, 2024 and 2023	23,129	23,129
Additional paid-in capital	12,885,841	12,885,841
(Accumulated Deficit)	(7,945,943)	(7,550,153)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>4,963,027</b>	<b>5,358,817</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 8,544,750</b>	<b>\$ 8,399,874</b>