

THE DEWEY ELECTRONICS CORPORATION
FISCAL YEAR 2023 FINANCIALS
SIX MONTHS ENDING DECEMBER 31, 2023

BALANCE SHEETS	Not Reviewed by outside Auditors	Reviewed by Eisner Amper
ASSETS	DECEMBER 31, 2023	JUNE 30, 2023
Current Assets:		
Cash and cash equivalents	\$ 1,816,033	\$ 2,022,466
Accounts receivable	578,544	1,105,582
Inventory	2,874,053	2,872,118
Prepaid expenses and other current assets	364,327	125,605
Total current assets	<u>5,632,957</u>	<u>6,125,771</u>
Property and equipment net	315,375	354,985
Intangible assets, net	149,134	163,737
Deferred tax asset	388,057	388,057
Security Deposit	31,167	31,167
Long term pension asset	38,407	8,201
Operating lease right-of-use assets	158,603	202,214
Total assets	<u>\$ 6,713,700</u>	<u>\$ 7,274,132</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	77,135	154,425
Customer deposits	4,100	8,901
Income tax payable/(receivable)	4,907	92,497
Operating lease liabilities, current	260,575	254,440
Accrued expenses and other liabilities	971,955	1,168,470
Total current liabilities	<u>1,318,672</u>	<u>1,678,733</u>
Long-term debt, net of current maturities:		
Operating lease liabilities, net of current	180,122	312,167
Total liabilities	<u>1,498,794</u>	<u>1,990,900</u>
Stockholders' equity		
Preferred stock, par value \$1.00; authorized 250,000 shares, issued and outstanding-none	--	--
Common stock, par value \$.01; authorized 3,000,000 shares; 1,693,397 issued and 939,298 shares outstanding at December 31,2023, and at June 30, 2023.	16,934	16,934
Additional paid-in capital	2,883,970	2,883,970
Retained earnings	4,673,838	4,772,370
Accumulated other comprehensive loss	197,169	166,964
	<u>7,771,911</u>	<u>7,840,238</u>
Less: Treasury stock, 326,686 at December 31, 2023, and at June 30, 2023 at cost	<u>(2,557,006)</u>	<u>(2,557,006)</u>
Total stockholders' equity	<u>5,214,905</u>	<u>5,283,232</u>
	<u>\$ 6,713,699</u>	<u>\$ 7,274,132</u>

THE DEWEY ELECTRONICS CORPORATION

Statements of Income

Not reviewed by outside auditors

	SIX MONTHS ENDED DECEMBER 31,	
	2023	2022
Revenues	\$ 2,669,375	\$ 1,942,038
Cost of goods sold	<u>1,908,609</u>	<u>1,445,329</u>
Gross profit	760,766	496,709
Selling, general and administrative expenses	<u>883,946</u>	<u>702,343</u>
	33%	36%
Earnings (loss) from operations	(123,180)	(205,634)
Other income (expense)		
Interest expense	(1,086)	(5,604)
Other (expense) income	<u>25,733</u>	<u>(10,210)</u>
Total other income	<u>24,647</u>	<u>(15,814)</u>
Net income before provision for income taxes	(98,533)	(221,448)
Provision for income taxes		
Current Income tax expense	--	142,337
Deferred income tax (benefit) expense	<u>--</u>	<u>--</u>
Total provision for income tax	<u>0</u>	<u>142,337</u>
Net Income	<u><u>\$ (98,533)</u></u>	<u><u>\$ (363,785)</u></u>

Statements of Comprehensive Income

	SIX MONTHS ENDED DECEMBER 31,	
	2023	2022
Net Income	\$ (98,533)	\$ (363,785)
Amortization of actuarial income	<u>30,206</u>	<u>30,206</u>
Comprehensive income	<u><u>\$ (68,327)</u></u>	<u><u>\$ (333,579)</u></u>

THE DEWEY ELECTRONICS CORPORATION

Statements of Cash Flows

Not reviewed by outside auditors

SIX MONTHS ENDED DECEMBER 31,

	2023	2022
Cash flows from operating activities:		
Net (Loss)/Income	(98,533)	(363,785)
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	92,202	87,148
Amortization of deferred gain	-	(82,882)
Amortization of operating right-of-use asset	43,611	-
(Increase)/Decrease in:		
Accounts receivable	527,038	(23,675)
Inventory	(1,935)	(615,648)
Prepaid expenses and other current assets	(238,722)	838
Grant receivable	-	211,059
Contract receivable	-	(113,175)
Increase/(decrease) in:		
Accounts payable	(77,290)	(17,041)
Income taxes payable/(receivable)	(87,590)	157,291
Customer Deposits	(4,801)	-
Operating lease liability	(125,910)	-
Accrued expenses and other liabilities	(196,515)	(96,409)
Net cash provided by operating activities	<u>(168,445)</u>	<u>(856,279)</u>
Cash flows from investing activities:		
Acquisition of business	-	-
Payments for purchases of property and equipment	(37,990)	(11,932)
Net cash used in investing activities	<u>(37,990)</u>	<u>(11,932)</u>
Cash flows from financing activities:		
Net Proceeds from (payments on) line of credit	-	(308,883)
Payments for Stock repurchase	-	-
Net cash used in financing activities	<u>-</u>	<u>(308,883)</u>
Net change in cash and cash equivalents	(206,435)	(1,177,094)
Cash and cash equivalents - beginning	<u>2,022,466</u>	<u>2,978,490</u>
Cash and cash equivalents - ending	<u>1,816,031</u>	<u>1,801,396</u>
Supplemental disclosure of cash paid/(received):		
Interest paid	\$ 1,086	\$ 5,604
Interest received	\$ (27,693)	\$ (1,691)
Income taxes paid	\$ 87,590	\$ 405,025
Income tax refunds	-	(421,950)

These notes were not reviewed by outside auditors

1. INI Power Systems Asset Acquisition

On September 28th, 2020, the Company entered into an agreement with Corbel Structured Capital Equity Partners LP to purchase essentially all of the assets of INI Power Systems. This is being accounted for as a business combination. The Company acquired Inventory valued at \$261,000, assorted Machinery and equipment valued at \$261,000, and Patents and trademarks valued at \$236,000. At the time of the sale INI assets were acquired in exchange for \$150,000 Cash, and an additional \$150,000 was due, and paid September 28, 2021. In addition, the Company agreed to pay 15% royalties on INI product sales, and 50% on any proceeds from the sale of INI asset sales, both for 5 years.

For accounting purposes future revenues are conservatively forecasted. The present value of the estimated future royalties is \$300,475. The company paid royalties to Corbel of \$86,964 for the six months ended December 31, 2023, compared to \$14,508 at December 31, 2022. These accrued royalty costs will be amortized over five years. For the period ended December 31, 2023, the company recognized approximately \$35,000, compared to the same period in 2022, with \$35,000 of amortization expense related to the INI purchase.

2. Inventories

Inventories consist of:

	<u>DECEMBER 31, 2023</u>	<u>JUNE 30, 2023</u>
Finished Goods	\$ 409,893	\$ 294,582
Work In Progress	1,033,873	1,329,681
Raw Materials	<u>1,670,289</u>	<u>1,487,857</u>
	<u>3,114,055</u>	3,112,120
Provision for Inventory	<u>(240,002)</u>	<u>(240,002)</u>
Total	<u>\$ 2,874,053</u>	<u>\$ 2,872,118</u>

3. Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Allowance for depreciation is provided on a straight-line basis over estimated useful lives of three to ten years for machinery and equipment, five to ten years for furniture and fixtures and improvements.

With the INI business combination, we acquired \$104,000 in Machinery and equipment, and \$236,000 in Patents, trademarks and intellectual property. These assets will be depreciated over 5 years.

4. Accrued Expenses and Other Liabilities

	<u>DECEMBER 31, 2023</u>	<u>JUNE 30, 2023</u>
Accrued pension costs	\$437,446	\$418,668
Accrued audit and accounting	77,487	72,012
Accrued compensation & benefits	186,653	220,635
Accrued royalty	120,092	146,171
Accrued warranty reserve	86,803	126,803
Other accrued expenses	<u>63,474</u>	<u>184,182</u>
Total	<u>\$ 971,955</u>	<u>\$ 1,168,471</u>

5. Revenues

Revenue for power products, which includes original equipment, replacement parts, and engineering services approximate \$1,467,000, or 55% of revenue for the six months ended December 31, 2023, compared to revenues of \$1,007,000 or 52% of revenue for the six months ended December 31, 2022. Other Non-power products accounted for \$1,202,000 or 45% of revenues in the six months ended December 31, 2023 and \$934,000 or 48% of revenue for the same period in the prior fiscal year.

INI is included in the power product revenues above. INI represents 20% of total company revenue for the six months ended December 31, 2023, and 6% for the same period in the prior fiscal year.

The aggregate value of the Company's backlog of sales orders was \$4.9 million on December 31, 2023, approximately 50-60% of this is expected to become revenue in the current fiscal year. The Company's backlog of sales orders was \$5.2 million on December 31, 2022.

6. Gross Profit

The Company earned a gross profit of \$761,000, and 28% of revenues for the six months ended December 31, 2023 compared to a gross profit of \$496,000 and 26% of revenues for the same period in fiscal year 2022.

The slight increase in profit rate for the six months ended December 31, 2023 was due primarily to change in product mix, and minor impact from increases to sale prices.

7. Selling, General and Administrative Expenses

Selling, General and Administrative Expenses for the six months ended December 31, 2023 were \$884,000 or 33% of revenues compared to \$702,000 or 36% of revenues for the six months ended December 31, 2022. The increase in dollars is due to a increase in outside consulting and salaries compared to the six months ended December 31, 2022.

8. Taxes on Income

No tax liabilities were assessed for the first half of fiscal 2024, they will be assessed at year end. For the period ended December 31, 2022 The Company incurred \$142,000 in tax expense related to Employee Retention Credits Income.

Please refer to Note K on our June 30, 2023 financial statements for more details.

9. Pension Plan

Please refer to Note L of the June 30, 2023 financials for all Pension Plan details.

10. Leasehold Commitments

The Company entered into a five-year sale and leaseback agreement for office and warehouse space beginning September 1, 2020.

The liabilities under operating leases are recorded at the present value of the minimum lease payments. Lease expense relating to operating leases, consisting of ROU asset amortization and lease liability interest, as included in general and administrative expenses as rent on the accompanying statements of income.

The following maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of December 31, 2023 is approximately as follows:

Year ending June 30,	Operating Leases
2024	133,689
2025	271,574
Thereafter	<u>45,402</u>
	450,665
Less amount representing interest	<u>(9,968)</u>
Total	<u>\$ 440,697</u>

Reported as of December 31, 2023	Operating Leases
Current portion of lease liabilities	\$260,575
Lease liabilities, net of current portion of	180,122
Total	<u>\$ 440,697</u>

For the six months ending December 31, 2023, cash paid for amounts included in the measurement of lease liabilities relating to operating leases approximated \$133,000, and an operating lease cost of approximately \$51,000. The weighted average remaining lease term is 1.67 years and the weighted average discount rate is 2.8%.

For information regarding Building Sale Deferred Gain treatment on lease, please refer Note A [16] from our June 30, 2023 financials.

The Financial Statements have been prepared by the Company in good faith. The December 31, six-month results, have not been reviewed by an outside auditor. The Financial Statements fairly present the financial condition and operating results of the Company as of the date, and for the period, indicated in the Financial Statements.

To the Company's knowledge, since December 31, 2023, there has not been any change in the assets, liabilities, financial condition, or operating results of the Company from that reflected in the Financial Statements, except changes in the ordinary course of business that have not been, in the aggregate, materially adverse to the Company.