

KOSS CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

As of June 30,	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,081,533	\$ 432,283
Accounts receivable, less allowance for doubtful accounts of \$51,854 and \$55,872, respectively	4,709,745	3,931,541
Inventories	6,138,679	8,345,343
Prepaid expenses and other current assets	206,776	206,395
Income taxes receivable	32,375	32,814
Total current assets	12,169,108	12,948,376
Equipment and leasehold improvements, net	1,132,105	1,408,091
Other assets:		
Deferred income taxes	—	3,042,257
Cash surrender value of life insurance	6,374,372	6,024,929
Total other assets	6,374,372	9,067,186
Total assets	<u>\$ 19,675,585</u>	<u>\$ 23,423,653</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,429,491	\$ 2,243,110
Accrued liabilities	1,178,571	1,149,395
Total current liabilities	2,608,062	3,392,505
Long-term liabilities:		
Deferred compensation	2,394,009	2,294,418
Other liabilities	155,702	164,418
Total long-term liabilities	2,549,711	2,458,836
Total liabilities	5,157,773	5,851,341
Stockholders' equity:		
Common stock, \$0.005 par value, authorized 20,000,000 shares; issued and outstanding 7,382,706 shares	36,914	36,914
Paid in capital	5,752,270	5,420,710
Retained earnings	8,728,628	12,114,688
Total stockholders' equity	14,517,812	17,572,312
Total liabilities and stockholders' equity	<u>\$ 19,675,585</u>	<u>\$ 23,423,653</u>

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

KOSS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended June 30,	2018	2017
Net sales	\$ 23,515,441	\$ 24,054,281
Cost of goods sold	16,933,431	17,158,977
Gross profit	<u>6,582,010</u>	<u>6,895,304</u>
Selling, general and administrative expenses	6,938,921	7,599,882
Unauthorized transaction related (recoveries) costs, net	(18,765)	67,548
Interest expense	<u>5,218</u>	<u>964</u>
(Loss) before income tax provision	(343,364)	(773,090)
Income tax provision	<u>3,042,696</u>	<u>190,546</u>
Net (loss)	<u><u>\$ (3,386,060)</u></u>	<u><u>\$ (963,636)</u></u>
(Loss) per common share:		
Basic	<u><u>\$ (0.46)</u></u>	<u><u>\$ (0.13)</u></u>
Diluted	<u><u>\$ (0.46)</u></u>	<u><u>\$ (0.13)</u></u>

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KOSS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30,	2018	2017
Operating activities:		
Net (loss)	\$ (3,386,060)	\$ (963,636)
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
(Recovery of) provision for doubtful accounts	(4,874)	(1,872)
Loss on disposal of equipment and leasehold improvements	343	6,230
Depreciation of equipment and leasehold improvements	526,261	503,585
Stock-based compensation expense	331,560	349,754
Deferred income taxes	3,042,257	170,299
Change in cash surrender value of life insurance	(218,224)	(223,896)
Change in deferred compensation accrual	249,591	256,704
Deferred compensation paid	(150,000)	(150,000)
Net changes in operating assets and liabilities (see note 14)	640,233	287,084
Cash provided by operating activities	<u>1,031,087</u>	<u>234,252</u>
Investing activities:		
Life insurance premiums paid	(131,219)	(133,928)
Purchase of equipment and leasehold improvements	<u>(250,618)</u>	<u>(403,434)</u>
Cash (used in) investing activities	<u>(381,837)</u>	<u>(537,362)</u>
Net increase (decrease) in cash and cash equivalents	649,250	(303,110)
Cash and cash equivalents at beginning of year	<u>432,283</u>	<u>735,393</u>
Cash and cash equivalents at end of year	<u>\$ 1,081,533</u>	<u>\$ 432,283</u>

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