

ELECTRONIC TELE-COMMUNICATIONS, INC.

# FINANCIAL REPORT

SEPTEMBER 30, 2014

**ELECTRONIC TELE-COMMUNICATIONS, INC.**  
**BALANCE SHEETS**  
**September 30, 2014 and December 31, 2013**

	<b>(Unreviewed)</b>	<b>(Unreviewed)</b>
	<b>September 30</b>	<b>December 31</b>
	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 151,675	\$ 251,013
Available for sale investments	-	-
Trade accounts receivable, net	34,506	50,105
Inventories	187,357	192,514
Net investment in sales-type leases	11,229.00	6,316.00
Prepaid expenses and other current assets	843	8,708
Total current assets	385,610	508,656
PROPERTY, PLANT AND EQUIPMENT, NET	24,878	28,001
NET INVESTMENT IN SALES-TYPE LEASES	17,625	15,291
Total Assets	\$ 428,113	\$ 551,948
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 526,557	\$ 537,937
Accounts payable	17,453	19,788
Accrued expenses	203,239	219,678
Income taxes payable	4,987	6,824
Deferred revenue and customer deposits	31,317	44,492
Deferred gain on sale of building	11,302	11,302
Deferred rent	32,982	32,982
Total current liabilities	827,837	873,003
DEFERRED GAIN ON SALE OF BUILDING	2,826	11,302
DEFERRED RENT	8,245	32,981
Total liabilities	838,908	917,286
STOCKHOLDERS' EQUITY:		
Preferred stock, authorized 5,000,000 shares, none issued	-	-
Class A common stock, authorized 10,000,000 shares, par value \$.01, issued and outstanding 2,009,149 shares	20,091	20,091
Class B common stock, authorized 10,000,000 shares, par value \$.01, issued and outstanding 499,998 shares	5,000	5,000
Additional paid-in capital	3,335,647	3,335,647
Accumulated other comprehensive income	-	0
Retained earnings (deficit)	(3,771,533)	(3,726,076)
Total stockholders' equity	(410,795)	(365,338)
Total Liabilities and Stockholders' Equity	\$ 428,113	\$ 551,948

**ELECTRONIC TELE-COMMUNICATIONS, INC.**  
**STATEMENTS OF OPERATIONS**

Three-Month and Nine-Month Periods Ended September 30, 2014 and 2013 - (Unreviewed)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2014	2013	2014	2013
NET SALES	\$ 276,586	\$ 358,173	\$ 1,220,583	\$ 1,283,296
COST OF PRODUCTS SOLD	<u>139,257</u>	<u>182,196</u>	<u>654,593</u>	<u>655,521</u>
GROSS PROFIT	137,329	175,977	565,990	627,775
OPERATING EXPENSES:				
General and administrative	79,759	65,149	241,051	228,132
Marketing and selling	52,637	47,793	170,218	166,603
Research and development	66,759	53,282	182,597	192,452
	<u>199,155</u>	<u>166,224</u>	<u>593,866</u>	<u>587,187</u>
EARNINGS (LOSS) FROM OPERATIONS	(61,826)	9,753	(27,876)	40,588
OTHER INCOME (EXPENSE):				
Interest expense	(5,898)	(6,145)	(17,640)	(19,824)
Interest and dividend income	20	20	59	976
Gain on sale of investment	-	-	-	90,075
EARNINGS (LOSS) BEFORE INCOME TAXES	(67,704)	3,628	(45,457)	111,815
Income taxes	-	-	-	-
NET EARNINGS (LOSS)	<u>\$ (67,704)</u>	<u>\$ 3,628</u>	<u>\$ (45,457)</u>	<u>\$ 111,815</u>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:				
Class A common	\$ (0.03)	\$ -	\$ (0.02)	\$ 0.04
Class B common	\$ (0.03)	\$ -	\$ (0.02)	\$ 0.04
Weighted average common shares outstanding	2,509,147	2,509,147	2,509,147	2,509,147

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

**ELECTRONIC TELE-COMMUNICATIONS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Three-Month Periods Ended September, 2014 and 2013 - (Unreviewed)**

	<b>Six Months Ended September 30</b>	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net earnings (loss)	\$ (45,457)	\$ 111,815
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,754	3,099
(Gain) loss from sale of property, plant and equipment	(8,476)	(8,476)
Changes in operating assets and liabilities:		
Accounts receivable	15,599	(22,245)
Inventories	5,157	(37,867)
Net investment in sales-type leases	(7,247)	(13,880)
Prepaid expenses and other current assets	7,865	7,793
Accounts payable and accrued expenses	(18,774)	(30,013)
Deferred rent	(24,736)	(24,736)
Income taxes	(1,837)	(1,775)
Deferred revenue and customer deposits	(13,175)	(14,618)
Total adjustments	(40,870)	(142,718)
Net cash provided by (used in) operating activities	(86,327)	(30,903)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(1,631)	(22,129)
Capitalized software production costs	-	-
Net cash provided by (used in) investing activities	(1,631)	(22,129)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Payments) borrowings on revolving credit facility, net	(11,380)	(103,960)
Net cash provided by (used in) financing activities	(11,380)	(103,960)
Net increase (decrease) in cash and cash equivalents	(99,338)	(156,992)
Cash and cash equivalents at beginning of year	251,013	253,397
Cash and cash equivalents at end of period	\$ 151,675	\$ 96,405
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 1,837	\$ 1,775
Cash paid for interest expense	17,640	19,440

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

**ELECTRONIC TELE-COMMUNICATIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014 - (Unreviewed)**

**1. Basis of Presentation**

The accompanying unreviewed financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The information furnished herein reflects all adjustments and accruals that management believes are necessary to fairly state the operating results for the respective periods. Operating results for the three-month period ended June 30, 2014, are not necessarily indicative of the results that may be expected for the year ended December 31, 2014.

The balance sheet at December 31, 2013, has been derived from the unaudited financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements.

For further information, refer to the financial statements and footnotes thereto included in the Company's 2013 Annual Report to Shareholders.