

ELECTRONIC TELE-COMMUNICATIONS, INC.

FINANCIAL REPORT

June 30, 2015

ELECTRONIC TELE-COMMUNICATIONS, INC.
BALANCE SHEETS
June 30, 2015 and December 31, 2014

	(Unreviewed) June 30 2015	(Unreviewed) December 31 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 22,203	\$ 75,568
Available for sale investments	-	-
Trade accounts receivable, net	4,611	52,324
Inventories	167,025	184,766
Net investment in sales-type leases	15,670	11,850
Prepaid expenses and other current assets	18,230	9,843
Total current assets	227,739	334,351
PROPERTY, PLANT AND EQUIPMENT, NET	20,048	23,423
NET INVESTMENT IN SALES-TYPE LEASES	13,103	14,461
Total Assets	\$ 260,890	\$ 372,235
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 656,000	\$ 540,000
Accounts payable	37,617	17,440
Accrued expenses	178,381	174,345
Income taxes payable	5,337	5,787
Deferred revenue and customer deposits	41,536	52,852
Deferred gain on sale of building	5,651	11,302
Deferred rent	16,491	32,982
Total current liabilities	941,013	834,708
DEFERRED GAIN ON SALE OF BUILDING	-	-
DEFERRED RENT	-	-
Total liabilities	941,013	834,708
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)	(4,040,861)	(3,823,211)
Total stockholders' equity	(680,123)	(462,473)
Total Liabilities and Stockholders' Equity	\$ 260,890	\$ 372,235

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

ELECTRONIC TELE-COMMUNICATIONS, INC.
STATEMENTS OF OPERATIONS
Three-Month and Six-Month Periods Ended June 30, 2015 and 2014 - (Unreviewed)

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
NET SALES	\$ 239,072	\$ 451,262	\$ 422,182	\$ 943,997
COST OF PRODUCTS SOLD	<u>128,285</u>	<u>247,678</u>	<u>249,501</u>	<u>515,336</u>
GROSS PROFIT	110,787	203,584	172,681	428,661
OPERATING EXPENSES:				
General and administrative	54,942	80,309	133,466	161,292
Marketing and selling	41,467	56,811	88,622	117,581
Research and development	54,428	54,432	154,806	115,838
	<u>150,837</u>	<u>191,552</u>	<u>376,894</u>	<u>394,711</u>
EARNINGS (LOSS) FROM OPERATIONS	(40,050)	12,032	(204,213)	33,950
OTHER INCOME (EXPENSE):				
Interest expense	(7,054)	(5,889)	(13,442)	(11,742)
Interest and dividend income	1	20	5	39
Gain on sale of investment	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EARNINGS (LOSS) BEFORE INCOME TAXES	(47,103)	6,163	(217,650)	22,247
Income taxes	-	-	-	-
NET EARNINGS (LOSS)	<u>\$ (47,103)</u>	<u>\$ 6,163</u>	<u>\$ (217,650)</u>	<u>\$ 22,247</u>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:				
Class A common	\$ (0.02)	\$ -	\$ (0.09)	\$ 0.01
Class B common	\$ (0.02)	\$ -	\$ (0.09)	\$ 0.01
Weighted average common shares outstanding	2,509,147	2,509,147	2,509,147	2,509,147

ELECTRONIC TELE-COMMUNICATIONS, INC.
STATEMENTS OF CASH FLOWS
Six-Month Periods Ended June 30, 2015 and 2014 - (Unreviewed)

	Six Months Ended June 30	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ (217,650)	\$ 22,247
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,375	2,692
(Gain) loss from sale of property, plant and equipment	(5,651)	(5,651)
Changes in operating assets and liabilities:		
Accounts receivable	47,713	(2,394)
Inventories	17,741	17,973
Net investment in sales-type leases	(2,462)	(9,876)
Prepaid expenses and other current assets	(8,387)	(1,686)
Accounts payable and accrued expenses	24,213	(11,455)
Deferred rent	(16,491)	(16,491)
Income taxes	(450)	(1,837)
Unpaid rent - related party	72,000	(12,880)
Deferred revenue and customer deposits	(11,316)	(5,201)
Total adjustments	<u>120,285</u>	<u>(46,806)</u>
Net cash provided by (used in) operating activities	<u>(97,365)</u>	<u>(24,559)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	-	(1,116)
Capitalized software production costs	-	-
Net cash provided by (used in) investing activities	<u>-</u>	<u>(1,116)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) borrowings on revolving credit facility, net	44,000	-
Net cash provided by (used in) financing activities	<u>44,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(53,365)	(25,675)
Cash and cash equivalents at beginning of year	75,568	251,013
Cash and cash equivalents at end of period	<u>\$ 22,203</u>	<u>\$ 225,338</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 450	\$ 1,837
Cash paid for interest expense	13,804	11,655

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

ELECTRONIC TELE-COMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 - (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 six-month period ended June 30, 2015, are not necessarily indicative of the results that may be expected for the year ended December 31, 2015.

The balance sheet at December 31, 2014, 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 2014 Annual Report to Shareholders.