

ELECTRONIC TELE-COMMUNICATIONS, INC.

FINANCIAL REPORT

September 30, 2015

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

	(Unreviewed) September 30 2015	(Unreviewed) December 31 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 11,325	\$ 75,568
Available for sale investments	-	-
Trade accounts receivable, net	39,044	52,324
Inventories	153,483	184,766
Net investment in sales-type leases	16,390	11,850
Prepaid expenses and other current assets	468	9,843
Total current assets	220,710	334,351
 PROPERTY, PLANT AND EQUIPMENT, NET	 18,360	 23,423
NET INVESTMENT IN SALES-TYPE LEASES	8,725	14,461
 Total Assets	\$ 247,795	\$ 372,235
 LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 697,000	\$ 540,000
Accounts payable	54,030	17,440
Accrued expenses	233,765	174,345
Income taxes payable	5,637	5,787
Deferred revenue and customer deposits	40,682	52,852
Deferred gain on sale of building	2,825	11,302
Deferred rent	8,245	32,982
Total current liabilities	1,042,184	834,708
 DEFERRED GAIN ON SALE OF BUILDING	 -	 -
DEFERRED RENT	-	-
 Total liabilities	1,042,184	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)	(4,155,127)	(3,823,211)
Total stockholders' equity	(794,389)	(462,473)
 Total Liabilities and Stockholders' Equity	\$ 247,795	\$ 372,235

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
NET SALES	\$ 202,136	\$ 276,586	\$ 624,318	\$ 1,220,583
COST OF PRODUCTS SOLD	<u>107,670</u>	<u>139,257</u>	<u>357,171</u>	<u>654,593</u>
GROSS PROFIT	94,466	137,329	267,147	565,990
OPERATING EXPENSES:				
General and administrative	102,958	79,759	236,424	241,051
Marketing and selling	51,926	52,637	140,548	170,218
Research and development	46,240	66,759	201,046	182,597
	<u>201,124</u>	<u>199,155</u>	<u>578,018</u>	<u>593,866</u>
EARNINGS (LOSS) FROM OPERATIONS	(106,658)	(61,826)	(310,871)	(27,876)
OTHER INCOME (EXPENSE):				
Interest expense	(7,608)	(5,898)	(21,050)	(17,640)
Interest and dividend income	-	20	5	59
Gain on sale of investment	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EARNINGS (LOSS) BEFORE INCOME TAXES	(114,266)	(67,704)	(331,916)	(45,457)
Income taxes	-	-	-	-
NET EARNINGS (LOSS)	<u>\$ (114,266)</u>	<u>\$ (67,704)</u>	<u>\$ (331,916)</u>	<u>\$ (45,457)</u>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:				
Class A common	\$ (0.05)	\$ (0.03)	\$ (0.13)	\$ (0.02)
Class B common	\$ (0.05)	\$ (0.03)	\$ (0.13)	\$ (0.02)
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
Nine-Month Periods Ended June 30, 2015 and 2014 - (Unreviewed)

	Nine Months Ended September 30	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ (331,916)	\$ (45,457)
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,063	4,754
(Gain) loss from sale of property, plant and equipment	(8,477)	(8,476)
Changes in operating assets and liabilities:		
Accounts receivable	13,280	15,599
Inventories	31,283	5,157
Net investment in sales-type leases	1,196	(7,247)
Prepaid expenses and other current assets	9,375	7,865
Accounts payable and accrued expenses	96,009	(18,774)
Deferred rent	(24,736)	(24,736)
Income taxes	(150)	(1,837)
Unpaid rent - related party	108,000	(11,380)
Deferred revenue and customer deposits	(12,170)	(13,175)
Total adjustments	<u>218,673</u>	<u>(52,250)</u>
Net cash provided by (used in) operating activities	<u>(113,243)</u>	<u>(97,707)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	-	(1,631)
Capitalized software production costs	-	-
Net cash provided by (used in) investing activities	<u>-</u>	<u>(1,631)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) borrowings on revolving credit facility, net	49,000	-
Net cash provided by (used in) financing activities	<u>49,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(64,243)	(99,338)
Cash and cash equivalents at beginning of year	75,568	251,013
Cash and cash equivalents at end of period	<u>\$ 11,325</u>	<u>\$ 151,675</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 150	\$ 1,837
Cash paid for interest expense	21,564	17,640

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

ELECTRONIC TELE-COMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
September 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 nine-month period ended September 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.