

ELECTRONIC TELE-COMMUNICATIONS, INC.

FINANCIAL REPORT

SEPTEMBER 30, 2016

ELECTRONIC TELE-COMMUNICATIONS, INC.
BALANCE SHEETS
September 30, 2016 and December 31, 2015

	(Unreviewed) September 30 2016	(Unreviewed) December 31 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 114,614	\$ 20,176
Trade accounts receivable, net	34,787	58,811
Inventories	118,498	141,506
Net investment in sales-type leases	7,133	15,827.00
Prepaid expenses and other current assets	468	9,092
Total current assets	275,500	245,412
 PROPERTY, PLANT AND EQUIPMENT, NET	 11,718	 16,672
NET INVESTMENT IN SALES-TYPE LEASES	1,269	5,462
 Total Assets	\$ 288,487	\$ 267,546
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 433,000	\$ 733,000
Accounts payable	15,085	45,990
Accrued expenses	184,646	198,071
Income taxes payable	6,409	7,309
Deferred revenue and customer deposits	27,565	35,765
Deferred gain on sale of building	-	-
Deferred rent	60,000	-
Total current liabilities	726,705	1,020,135
 DEFERRED GAIN ON SALE OF BUILDING	 -	 -
DEFERRED RENT	195,000	-
Total liabilities	921,705	1,020,135
 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)	(3,993,956)	(4,113,327)
Total stockholders' equity	(633,218)	(752,589)
 Total Liabilities and Stockholders' Equity	\$ 288,487	\$ 267,546

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, 2016 and 2015 - (Unreviewed)

	Nine Months Ended September 30		Nine Months Ended September 30	
	2,016	2,015	2,016	2,015
NET SALES	\$ 225,388	\$ 202,136	\$ 745,374	\$ 624,318
COST OF PRODUCTS SOLD	101,007	107,670	342,027	357,171
GROSS PROFIT	124,381	94,466	403,347	267,147
OPERATING EXPENSES:				
General and administrative	39,814	102,958	121,422	236,424
Marketing and selling	15,281	51,926	63,532	140,548
Research and development	29,696	46,240	84,245	201,046
	84,791	201,124	269,199	578,018
EARNINGS (LOSS) FROM OPERATIONS	39,590	(106,658)	134,148	(310,871)
OTHER INCOME (EXPENSE):				
Interest expense	(4,858)	(7,608)	(14,779)	(21,050)
Interest and dividend income	1	20	2	5
Gain on sale of investment	-	-	-	-
	-	-	-	-
EARNINGS (LOSS) BEFORE INCOME TAXES	34,733	(144,246)	119,371	(331,916)
Income taxes	-	-	-	-
NET EARNINGS (LOSS)	\$ 34,733	\$ (144,246)	\$ 119,371	\$ (331,916)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:				
Class A common	\$ 0.01	\$ (0.05)	\$ 0.05	\$ (0.13)
Class B common	\$ 0.01	\$ (0.05)	\$ 0.05	\$ (0.13)
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
Nine-Month Periods Ended September 30, 2016 and 2015 - (Unreviewed)

	Nine Months Ended September 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ 119,371	\$ (331,916)
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,954	5,063
(Gain) loss from sale of property, plant and equipment	-	(8,477)
Changes in operating assets and liabilities:		
Accounts receivable	24,024	13,280
Inventories	23,008	31,283
Net investment in sales-type leases	12,887	1,196
Prepaid expenses and other current assets	8,624	9,375
Accounts payable and accrued expenses	(54,330)	96,009
Deferred rent	265,000	(24,736)
Income taxes	(900)	(150)
Unpaid rent - related party	-	108,000
Deferred revenue and customer deposits	(8,200)	(12,170)
Total adjustments	<u>275,067</u>	<u>218,673</u>
Net cash provided by (used in) operating activities	<u>394,438</u>	<u>(113,243)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	-	-
Proceeds from sale of available for sale investments	-	-
Capitalized software production costs	-	-
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) borrowings on revolving credit facility, net	(300,000)	49,000
Net cash provided by (used in) financing activities	<u>(300,000)</u>	<u>49,000</u>
Net increase (decrease) in cash and cash equivalents	94,438	(64,243)
Cash and cash equivalents at beginning of year	20,176	75,568
Cash and cash equivalents at end of period	<u>\$ 114,614</u>	<u>\$ 11,325</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ (900)	\$ 150
Cash paid for interest expense	13,580	21,564

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

ELECTRONIC TELE-COMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 - (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, 2016, are not necessarily indicative of the results that may be expected for the year ended December 31, 2016.

The balance sheet at December 31, 2015, 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 2015 Annual Report to Shareholders.