

ELECTRONIC TELE-COMMUNICATIONS, INC.

FINANCIAL REPORT

MARCH 31, 2012

ELECTRONIC TELE-COMMUNICATIONS, INC.
BALANCE SHEETS
March 31, 2012 and December 31, 2011

	(Unreviewed)	(Unreviewed)
	March 31	December 31
	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 130,721	\$ 124,031
Available for sale investments	76,530	63,888
Trade accounts receivable, net	156,832	158,697
Inventories	178,985	175,172
Prepaid expenses and other current assets	7,453	7,943
Total current assets	550,521	529,731
PROPERTY, PLANT AND EQUIPMENT, NET	6,968	5,020
Total Assets	\$ 557,489	\$ 534,751
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 670,917	\$ 683,707
Accounts payable	49,613	44,085
Accrued expenses	191,123	201,581
Income taxes payable	7,956	7,956
Deferred revenue and customer deposits	50,692	58,449
Deferred gain on sale of building	11,302	11,302
Deferred rent	32,982	32,982
Total current liabilities	1,014,585	1,040,062
DEFERRED GAIN ON SALE OF BUILDING	31,080	33,906
DEFERRED RENT	90,699	98,945
Total liabilities	1,136,364	1,172,913
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	76,530	63,888
Retained earnings (deficit)	(4,016,143)	(4,062,788)
Total stockholders' equity	(578,875)	(638,162)
Total Liabilities and Stockholders' Equity	\$ 557,489	\$ 534,751

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

ELECTRONIC TELE-COMMUNICATIONS, INC.
STATEMENTS OF OPERATIONS
Three-Month Periods Ended March 31, 2012 and 2011 - (Unreviewed)

	Three Months Ended	
	March 31	
	2012	2011
NET SALES	\$ 481,049	\$ 380,649
COST OF PRODUCTS SOLD	239,454	209,595
GROSS PROFIT	241,595	171,054
OPERATING EXPENSES:		
General and administrative	73,709	71,726
Marketing and selling	57,527	54,138
Research and development	56,213	63,455
	187,449	189,319
EARNINGS (LOSS) FROM OPERATIONS	54,146	(18,265)
OTHER INCOME (EXPENSE):		
Interest expense	(7,519)	(7,125)
Interest income	18	19
	46,645	(25,371)
EARNINGS (LOSS) BEFORE INCOME TAXES	46,645	(25,371)
Income taxes	-	-
NET EARNINGS (LOSS)	\$ 46,645	\$ (25,371)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:		
Class A common	\$ 0.02	\$ (0.01)
Class B common	\$ 0.02	\$ (0.01)
Weighted average common shares outstanding	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 March 31, 2012 and 2011 - (Unreviewed)

	Three Months Ended March 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ 46,645	\$ (25,371)
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	789	1,404
(Gain) loss from sale of property, plant and equipment	(2,826)	(2,826)
Changes in operating assets and liabilities:		
Accounts receivable	1,865	29,802
Inventories	(3,813)	(1,982)
Prepaid expenses and other current assets	490	(878)
Accounts payable and accrued expenses	(4,931)	10,458
Deferred rent	(8,245)	(8,245)
Income taxes	-	-
Deferred revenue and customer deposits	(7,757)	(1,560)
Total adjustments	<u>(24,428)</u>	<u>26,173</u>
Net cash provided by (used in) operating activities	<u>22,217</u>	<u>802</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(2,737)	(1,242)
Capitalized software production costs	-	-
Net cash provided by (used in) investing activities	<u>(2,737)</u>	<u>(1,242)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) borrowings on revolving credit facility, net	(12,790)	15,090
Net cash provided by (used in) financing activities	<u>(12,790)</u>	<u>15,090</u>
Net increase (decrease) in cash and cash equivalents	6,690	14,650
Cash and cash equivalents at beginning of year	124,031	94,976
Cash and cash equivalents at end of period	<u>\$ 130,721</u>	<u>\$ 109,626</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest expense	7,415	7,182

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

ELECTRONIC TELE-COMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 - (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 March 31, 2012, are not necessarily indicative of the results that may be expected for the year ended December 31, 2012.

The balance sheet at December 31, 2011, 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 2011 Annual Report to Shareholders.