

ELECTRONIC TELE-COMMUNICATIONS, INC.

FINANCIAL REPORT

MARCH 31, 2013

ELECTRONIC TELE-COMMUNICATIONS, INC.
BALANCE SHEETS
March 31, 2013 and December 31, 2012

	(Unreviewed)	(Unreviewed)
	March 31	December 31
	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 267,066	\$ 253,397
Available for sale investments	77,903	67,494
Trade accounts receivable, net	100,224	182,216
Inventories	202,526	185,365
Prepaid expenses and other current assets	5,502	7,404
Total current assets	653,221	695,876
PROPERTY, PLANT AND EQUIPMENT, NET	14,194	8,571
Total Assets	\$ 667,415	\$ 704,447
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 631,047	\$ 649,307
Accounts payable	57,814	53,615
Accrued expenses	235,528	255,392
Income taxes payable	3,745	5,520
Deferred revenue and customer deposits	52,315	53,117
Deferred gain on sale of building	11,302	11,302
Deferred rent	32,982	32,982
Total current liabilities	1,024,733	1,061,235
DEFERRED GAIN ON SALE OF BUILDING	19,778	22,604
DEFERRED RENT	57,717	65,963
Total liabilities	1,102,228	1,149,802
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	77,903	67,494
Retained earnings (deficit)	(3,873,454)	(3,874,487)
Total stockholders' equity	(434,813)	(445,355)
Total Liabilities and Stockholders' Equity	\$ 667,415	\$ 704,447

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	
	2013	2012
NET SALES	\$ 435,864	\$ 481,049
COST OF PRODUCTS SOLD	226,881	239,454
GROSS PROFIT	208,983	241,595
OPERATING EXPENSES:		
General and administrative	76,637	73,709
Marketing and selling	53,433	57,527
Research and development	71,822	56,213
	201,892	187,449
EARNINGS (LOSS) FROM OPERATIONS	7,091	54,146
OTHER INCOME (EXPENSE):		
Interest expense	(6,977)	(7,519)
Interest income	19	18
	133	46,645
EARNINGS (LOSS) BEFORE INCOME TAXES	133	46,645
Income taxes	-	-
NET EARNINGS (LOSS)	\$ 133	\$ 46,645
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:		
Class A common	\$ -	\$ 0.02
Class B common	\$ -	\$ 0.02
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, 2013 and 2012 - (Unreviewed)

	<u>Three Months Ended March 31</u>	
	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ 133	\$ 46,645
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	904	789
(Gain) loss from sale of property, plant and equipment	(2,826)	(2,826)
Changes in operating assets and liabilities:		
Accounts receivable	81,992	1,865
Inventories	(17,161)	(3,813)
Prepaid expenses and other current assets	1,902	490
Accounts payable and accrued expenses	(15,666)	(4,931)
Deferred rent	(8,245)	(8,245)
Income taxes	(1,775)	-
Deferred revenue and customer deposits	(802)	(7,757)
Total adjustments	<u>38,323</u>	<u>(24,428)</u>
Net cash provided by (used in) operating activities	<u>38,456</u>	<u>22,217</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(6,527)	(2,737)
Capitalized software production costs	-	-
Net cash provided by (used in) investing activities	<u>(6,527)</u>	<u>(2,737)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) borrowings on revolving credit facility, net	(18,260)	(12,790)
Net cash provided by (used in) financing activities	<u>(18,260)</u>	<u>(12,790)</u>
Net increase (decrease) in cash and cash equivalents	13,669	6,690
Cash and cash equivalents at beginning of year	253,397	124,031
Cash and cash equivalents at end of period	<u>\$ 267,066</u>	<u>\$ 130,721</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 1,775	\$ -
Cash paid for interest expense	6,987	7,415

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

ELECTRONIC TELE-COMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2013 - (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, 2013, are not necessarily indicative of the results that may be expected for the year ended December 31, 2013.

The balance sheet at December 31, 2012, 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 2012 Annual Report to Shareholders.