

ELECTRONIC TELE-COMMUNICATIONS, INC.

FINANCIAL REPORT

JUNE 30, 2013

ELECTRONIC TELE-COMMUNICATIONS, INC.
BALANCE SHEETS
June 30, 2013 and December 31, 2012

	(Unreviewed)	(Unreviewed)
	June 30	December 31
	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 142,891	\$ 253,397
Available for sale investments	-	67,494
Trade accounts receivable, net	216,691	182,216
Inventories	205,653	185,365
Prepaid expenses and other current assets	5,656	7,404
Total current assets	570,891	695,876
PROPERTY, PLANT AND EQUIPMENT, NET	18,932	8,571
Total Assets	\$ 589,823	\$ 704,447
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 551,727	\$ 649,307
Accounts payable	26,736	53,615
Accrued expenses	256,185	255,392
Income taxes payable	3,745	5,520
Deferred revenue and customer deposits	45,383	53,117
Deferred gain on sale of building	11,302	11,302
Deferred rent	32,982	32,982
Total current liabilities	928,060	1,061,235
DEFERRED GAIN ON SALE OF BUILDING	16,953	22,604
DEFERRED RENT	49,472	65,963
Total liabilities	994,485	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	-	67,494
Retained earnings (deficit)	(3,765,400)	(3,874,487)
Total stockholders' equity	(404,662)	(445,355)
Total Liabilities and Stockholders' Equity	\$ 589,823	\$ 704,447

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, 2013 and 2012 - (Unreviewed)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2013	2012	2013	2012
NET SALES	\$ 489,259	\$ 322,928	\$ 925,123	\$ 803,977
COST OF PRODUCTS SOLD	246,444	166,247	473,325	405,701
GROSS PROFIT	242,815	156,681	451,798	398,276
OPERATING EXPENSES:				
General and administrative	86,346	78,547	162,983	152,256
Marketing and selling	65,377	49,370	118,810	106,897
Research and development	67,348	49,162	139,170	105,375
	<u>219,071</u>	<u>177,079</u>	<u>420,963</u>	<u>364,528</u>
EARNINGS (LOSS) FROM OPERATIONS	23,744	(20,398)	30,835	33,748
OTHER INCOME (EXPENSE):				
Interest expense	(6,702)	(7,443)	(13,679)	(14,962)
Interest and dividend income	937	19	956	37
Gain on sale of investment	90,075	-	90,075	-
	<u>90,075</u>	<u>-</u>	<u>90,075</u>	<u>-</u>
EARNINGS (LOSS) BEFORE INCOME TAXES	108,054	(27,822)	108,187	18,823
Income taxes	-	-	-	-
NET EARNINGS (LOSS)	<u>\$ 108,054</u>	<u>\$ (27,822)</u>	<u>\$ 108,187</u>	<u>\$ 18,823</u>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:				
Class A common	\$ 0.04	\$ (0.01)	\$ 0.04	\$ 0.01
Class B common	\$ 0.04	\$ (0.01)	\$ 0.04	\$ 0.01
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
Three-Month Periods Ended June, 2013 and 2012 - (Unreviewed)

	Six Months Ended June 30	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ 108,187	\$ 18,823
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,126	1,642
(Gain) loss from sale of property, plant and equipment	(5,651)	(5,651)
Changes in operating assets and liabilities:		
Accounts receivable	(34,475)	111,609
Inventories	(20,288)	(24,097)
Prepaid expenses and other current assets	1,748	(90)
Accounts payable and accrued expenses	(26,086)	(47,850)
Deferred rent	(16,491)	(16,491)
Income taxes	(1,775)	(3,473)
Deferred revenue and customer deposits	(7,734)	(10,146)
Total adjustments	<u>(108,626)</u>	<u>5,453</u>
Net cash provided by (used in) operating activities	<u>(439)</u>	<u>24,276</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(12,487)	(3,787)
Capitalized software production costs	-	-
Net cash provided by (used in) investing activities	<u>(12,487)</u>	<u>(3,787)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) borrowings on revolving credit facility, net	<u>(97,580)</u>	<u>(18,610)</u>
Net cash provided by (used in) financing activities	<u>(97,580)</u>	<u>(18,610)</u>
Net increase (decrease) in cash and cash equivalents	(110,506)	1,879
Cash and cash equivalents at beginning of year	253,397	124,031
Cash and cash equivalents at end of period	<u>\$ 142,891</u>	<u>\$ 125,910</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 1,775	\$ 3,473
Cash paid for interest expense	13,318	14,760

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

ELECTRONIC TELE-COMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 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 June 20, 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.