

ELECTRONIC TELE-COMMUNICATIONS, INC.

# FINANCIAL REPORT

MARCH 31, 2014

**ELECTRONIC TELE-COMMUNICATIONS, INC.**  
**BALANCE SHEETS**  
**March 31, 2014 and December 31, 2013**

	<b>(Unreviewed)</b>	<b>(Unreviewed)</b>
	<b>March 31</b>	<b>December 31</b>
	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 182,923	\$ 251,013
Available for sale investments	-	0
Trade accounts receivable, net	108,753	50,105
Inventories	191,675	192,514
Net investment in sales-type leases	7,881	6,316.00
Prepaid expenses and other current assets	9,034	8,708
Total current assets	500,266	508,656
PROPERTY, PLANT AND EQUIPMENT, NET	27,354	28,001
NET INVESTMENT IN SALES-TYPE LEASES	16,713	15,291.00
Total Assets	\$ 544,333	\$ 551,948
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 529,557	\$ 537,937
Accounts payable	15,943	19,788
Accrued expenses	217,296	219,678
Income taxes payable	5,712	6,824
Deferred revenue and customer deposits	47,582	44,492
Deferred gain on sale of building	11,302	11,302
Deferred rent	32,982	32,982
Total current liabilities	860,374	873,003
DEFERRED GAIN ON SALE OF BUILDING	8,477	11,302
DEFERRED RENT	24,736	32,981
Total liabilities	893,587	917,286
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)	(3,709,992)	(3,726,076)
Total stockholders' equity	(349,254)	(365,338)
Total Liabilities and Stockholders' Equity	\$ 544,333	\$ 551,948

**ELECTRONIC TELE-COMMUNICATIONS, INC.**  
**STATEMENTS OF OPERATIONS**  
**Three-Month Periods Ended March 31, 2014 and 2013 - (Unreviewed)**

	Three Months Ended	
	March 31	
	2014	2013
NET SALES	\$ 492,735	\$ 435,864
COST OF PRODUCTS SOLD	267,658	226,881
GROSS PROFIT	225,077	208,983
OPERATING EXPENSES:		
General and administrative	80,983	76,637
Marketing and selling	60,770	53,433
Research and development	61,406	71,822
	203,159	201,892
EARNINGS (LOSS) FROM OPERATIONS	21,918	7,091
OTHER INCOME (EXPENSE):		
Interest expense	(5,853)	(6,977)
Interest income	19	19
	16,084	133
EARNINGS (LOSS) BEFORE INCOME TAXES	16,084	133
Income taxes	-	-
NET EARNINGS (LOSS)	\$ 16,084	\$ 133
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:		
Class A common	\$ 0.01	\$ -
Class B common	\$ 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, 2014 and 2013 - (Unreviewed)**

	<b>Three Months Ended March 31</b>	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net earnings (loss)	\$ 16,084	\$ 133
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,205	904
(Gain) loss from sale of property, plant and equipment	(2,825)	(2,826)
Changes in operating assets and liabilities:		
Accounts receivable	(58,648)	81,992
Inventories	839	(17,161)
Net investment in sales-type leases	(2,987)	-
Prepaid expenses and other current assets	(326)	1,902
Accounts payable and accrued expenses	(6,227)	(15,666)
Deferred rent	(8,245)	(8,245)
Income taxes	(1,112)	(1,775)
Deferred revenue and customer deposits	3,090	(802)
Total adjustments	<u>(75,236)</u>	<u>38,323</u>
Net cash provided by (used in) operating activities	<u>(59,152)</u>	<u>38,456</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(558)	(6,527)
Capitalized software production costs	-	-
Net cash provided by (used in) investing activities	<u>(558)</u>	<u>(6,527)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Payments) borrowings on revolving credit facility, net	(8,380)	(18,260)
Net cash provided by (used in) financing activities	<u>(8,380)</u>	<u>(18,260)</u>
Net increase (decrease) in cash and cash equivalents	(68,090)	13,669
Cash and cash equivalents at beginning of year	251,013	253,397
Cash and cash equivalents at end of period	<u>\$ 182,923</u>	<u>\$ 267,066</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 1,112	\$ 1,775
Cash paid for interest expense	5,822	6,987

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

**ELECTRONIC TELE-COMMUNICATIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2014 - (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, 2014, are not necessarily indicative of the results that may be expected for the year ended December 31, 2014.

The balance sheet at December 31, 2013, 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 2013 Annual Report to Shareholders.