

ELECTRONIC TELE-COMMUNICATIONS, INC.

FINANCIAL REPORT

JUNE 30, 2014

ELECTRONIC TELE-COMMUNICATIONS, INC.
BALANCE SHEETS
June 30, 2014 and December 31, 2013

	(Unreviewed)	(Unreviewed)
	June 30	December 31
	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 225,338	\$ 251,013
Available for sale investments	-	-
Trade accounts receivable, net	52,499	50,105
Inventories	174,541	192,514
Net investment in sales-type leases	10,832	6,316.00
Prepaid expenses and other current assets	10,394	8,708
Total current assets	473,604	508,656
PROPERTY, PLANT AND EQUIPMENT, NET	26,425	28,001
NET INVESTMENT IN SALES-TYPE LEASES	20,651	15,291.00
Total Assets	\$ 520,680	\$ 551,948
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 525,057	\$ 537,937
Accounts payable	22,348	19,788
Accrued expenses	205,663	219,678
Income taxes payable	4,987	6,824
Deferred revenue and customer deposits	39,291	44,492
Deferred gain on sale of building	11,302	11,302
Deferred rent	32,982	32,982
Total current liabilities	841,630	873,003
DEFERRED GAIN ON SALE OF BUILDING	5,651	11,302
DEFERRED RENT	16,490	32,981
Total liabilities	863,771	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)	(3,703,829)	(3,726,076)
Total stockholders' equity	(343,091)	(365,338)
Total Liabilities and Stockholders' Equity	\$ 520,680	\$ 551,948

ELECTRONIC TELE-COMMUNICATIONS, INC.
STATEMENTS OF OPERATIONS
Three-Month and Six-Month Periods Ended June 30, 2014 and 2013 - (Unreviewed)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2014	2013	2014	2013
NET SALES	\$ 451,262	\$ 489,259	\$ 943,997	\$ 925,123
COST OF PRODUCTS SOLD	247,678	246,444	515,336	473,325
GROSS PROFIT	203,584	242,815	428,661	451,798
OPERATING EXPENSES:				
General and administrative	80,309	86,346	161,292	162,983
Marketing and selling	56,811	65,377	117,581	118,810
Research and development	54,432	67,348	115,838	139,170
	191,552	219,071	394,711	420,963
EARNINGS (LOSS) FROM OPERATIONS	12,032	23,744	33,950	30,835
OTHER INCOME (EXPENSE):				
Interest expense	(5,889)	(6,702)	(11,742)	(13,679)
Interest and dividend income	20	937	39	956
Gain on sale of investment	-	90,075	-	90,075
EARNINGS (LOSS) BEFORE INCOME TAXES	6,163	108,054	22,247	108,187
Income taxes	-	-	-	-
NET EARNINGS (LOSS)	\$ 6,163	\$ 108,054	\$ 22,247	\$ 108,187
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:				
Class A common	\$ -	\$ 0.04	\$ 0.01	\$ 0.04
Class B common	\$ -	\$ 0.04	\$ 0.01	\$ 0.04
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
Six-Month Periods Ended June 30, 2014 and 2013 - (Unreviewed)

	Six Months Ended June 30	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ 22,247	\$ 108,187
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,692	2,126
(Gain) loss from sale of property, plant and equipment	(5,651)	(5,651)
Changes in operating assets and liabilities:		
Accounts receivable	(2,394)	(34,475)
Inventories	17,973	(20,288)
Net investment in sales-type leases	(9,876)	-
Prepaid expenses and other current assets	(1,686)	1,748
Accounts payable and accrued expenses	(11,455)	(26,086)
Deferred rent	(16,491)	(16,491)
Income taxes	(1,837)	(1,775)
Deferred revenue and customer deposits	(5,201)	(7,734)
Total adjustments	(33,926)	(108,626)
Net cash provided by (used in) operating activities	(11,679)	(439)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(1,116)	(12,487)
Capitalized software production costs	-	-
Net cash provided by (used in) investing activities	(1,116)	(12,487)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) borrowings on revolving credit facility, net	(12,880)	(97,580)
Net cash provided by (used in) financing activities	(12,880)	(97,580)
Net increase (decrease) in cash and cash equivalents	(25,675)	(110,506)
Cash and cash equivalents at beginning of year	251,013	253,397
Cash and cash equivalents at end of period	\$ 225,338	\$ 142,891
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 1,837	\$ 1,775
Cash paid for interest expense	11,655	13,318

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

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