

ELECTRONIC TELE-COMMUNICATIONS, INC.

FINANCIAL REPORT

MARCH 31, 2017

ELECTRONIC TELE-COMMUNICATIONS, INC.
BALANCE SHEETS
March 31, 2017 and December 31, 2016

| | (Unreviewed) March 31 2017 | (Unreviewed) December 31 2016 |
|---|---|--|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 108,414 | \$ 132,116 |
| Trade accounts receivable, net | 47,750 | 29,407 |
| Inventories | 127,626 | 121,825 |
| Net investment in sales-type leases | 5,037 | 5,139.00 |
| Prepaid expenses and other current assets | 8,024 | 9,414 |
| Total current assets | 296,851 | 297,901 |
| PROPERTY, PLANT AND EQUIPMENT, NET | 8,561 | 10,140 |
| NET INVESTMENT IN SALES-TYPE LEASES | 3,283 | 323 |
| Total Assets | \$ 308,695 | \$ 308,364 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Revolving credit facility and unpaid rent - related party | \$ 428,000 | \$ 428,000 |
| Accounts payable | 9,192 | 11,734 |
| Accrued expenses | 141,893 | 137,220 |
| Income taxes payable | 6,409 | 6,409 |
| Deferred revenue and customer deposits | 30,293 | 38,336 |
| Deferred gain on sale of building | - | - |
| Deferred rent | 60,000 | 60,000 |
| Total current liabilities | 675,787 | 681,699 |
| DEFERRED GAIN ON SALE OF BUILDING | - | - |
| DEFERRED RENT | 165,000 | 180,000 |
| Total liabilities | 840,787 | 861,699 |
| 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) | (3,892,830) | (3,914,073) |
| Total stockholders' equity | (532,092) | (553,335) |
| Total Liabilities and Stockholders' Equity | \$ 308,695 | \$ 308,364 |

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

ELECTRONIC TELE-COMMUNICATIONS, INC.
STATEMENTS OF OPERATIONS
Three-Month Period Ended March 31, 2017 and 2016 - (Unreviewed)

| | Three Months Ended March 31 | |
|---|--------------------------------|------------|
| | 2017 | 2016 |
| NET SALES | \$ 185,200 | \$ 329,253 |
| COST OF PRODUCTS SOLD | 86,368 | 144,646 |
| GROSS PROFIT | 98,832 | 184,607 |
| OPERATING EXPENSES: | | |
| General and administrative | 34,168 | 40,966 |
| Marketing and selling | 12,257 | 18,114 |
| Research and development | 26,417 | 27,730 |
| | 72,842 | 86,810 |
| EARNINGS (LOSS) FROM OPERATIONS | 25,990 | 97,797 |
| OTHER INCOME (EXPENSE): | | |
| Interest expense | (4,750) | (4,948) |
| Interest and dividend income | 3 | - |
| | (4,747) | (4,948) |
| EARNINGS (LOSS) BEFORE INCOME TAXES | 21,243 | 92,849 |
| Income taxes | - | - |
| NET EARNINGS (LOSS) | \$ 21,243 | \$ 92,849 |
| BASIC AND DILUTED EARNINGS (LOSS) PER SHARE: | | |
| Class A common | \$ 0.01 | \$ 0.04 |
| Class B common | \$ 0.01 | \$ 0.04 |
| 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, 2017 and 2016 - (Unreviewed)

| | Three Months Ended March 31 | |
|---|------------------------------------|-------------|
| | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net earnings (loss) | \$ 21,243 | \$ 92,849 |
| Adjustments to reconcile net earnings to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 1,579 | 1,687 |
| (Gain) loss from sale of property, plant and equipment | - | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (18,343) | (9,086) |
| Inventories | (5,801) | 16,203 |
| Net investment in sales-type leases | (2,858) | 5,236 |
| Prepaid expenses and other current assets | 1,390 | 476 |
| Accounts payable and accrued expenses | 2,131 | (31,698) |
| Deferred rent | (15,000) | 285,000 |
| Income taxes | - | - |
| Unpaid rent - related party | - | - |
| Deferred revenue and customer deposits | (8,043) | (2,152) |
| Total adjustments | (44,945) | 265,666 |
| Net cash provided by (used in) operating activities | (23,702) | 358,515 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures | - | - |
| Proceeds from sale of available for sale investments | - | - |
| Capitalized software production costs | - | - |
| Net cash provided by (used in) investing activities | - | - |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| (Payments) borrowings on revolving credit facility, net | - | (300,000) |
| Net cash provided by (used in) financing activities | 0 | (300,000) |
| Net increase (decrease) in cash and cash equivalents | (23,702) | 58,515 |
| Cash and cash equivalents at beginning of year | 132,116 | 20,176 |
| Cash and cash equivalents at end of period | \$ 108,414 | \$ 78,691 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for income taxes | \$ - | \$ - |
| Cash paid for interest expense | 4,750 | 3,833 |

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

ELECTRONIC TELE-COMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2017 - (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, 2017 are not necessarily indicative of the results that may be expected for the year ended December 31, 2017.

The balance sheet at December 31, 2016, 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 2016 Annual Report to Shareholders.