

ELECTRONIC TELE-COMMUNICATIONS, INC.

# FINANCIAL REPORT

June 30, 2017

**ELECTRONIC TELE-COMMUNICATIONS, INC.**  
**BALANCE SHEETS**  
**June 30, 2017 and December 31, 2016**

	<b>(Unreviewed)</b>	<b>(Unreviewed)</b>
	<b>March 31</b>	<b>December 31</b>
	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 113,862	\$ 132,116
Trade accounts receivable, net	11,357	29,407
Inventories	129,003	121,825
Net investment in sales-type leases	5,458	5,139
Prepaid expenses and other current assets	8,072	9,414
Total current assets	<u>267,752</u>	<u>297,901</u>
PROPERTY, PLANT AND EQUIPMENT, NET	6,983	10,140
NET INVESTMENT IN SALES-TYPE LEASES	<u>6,567</u>	<u>323</u>
Total Assets	<u><u>\$ 281,302</u></u>	<u><u>\$ 308,364</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 428,000	\$ 428,000
Accounts payable	6,514	11,734
Accrued expenses	135,489	137,220
Income taxes payable	5,409	6,409
Deferred revenue and customer deposits	25,596	38,336
Deferred rent	60,000	60,000
Total current liabilities	<u>661,008</u>	<u>681,699</u>
DEFERRED RENT	<u>150,000</u>	<u>180,000</u>
Total liabilities	<b>811,008</b>	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)	(3,890,444)	(3,914,073)
Total stockholders' equity	<u>(529,706)</u>	<u>(553,335)</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 281,302</u></u>	<u><u>\$ 308,364</u></u>

*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, 2017 and 2016 - (Unreviewed)**

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
NET SALES	\$ 141,813	\$ 190,733	\$ 327,013	\$ 519,986
COST OF PRODUCTS SOLD	<u>65,157</u>	96,374	<u>151,525</u>	241,020
GROSS PROFIT	76,656	94,359	175,488	278,966
OPERATING EXPENSES:				
General and administrative	32,729	40,642	66,897	81,608
Marketing and selling	9,503	30,137	21,760	48,251
Research and development	27,239	26,819	53,656	54,549
	<u>69,471</u>	<u>97,598</u>	<u>142,313</u>	<u>184,408</u>
EARNINGS (LOSS) FROM OPERATIONS	7,185	(3,239)	33,175	94,558
OTHER INCOME (EXPENSE):				
Interest expense	(4,802)	(4,973)	(9,552)	(9,921)
Interest and dividend income	3	1	6	1
Gain on sale of investment	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EARNINGS (LOSS) BEFORE INCOME TAXES	2,386	(8,211)	23,629	84,638
Income taxes	-	-	-	-
NET EARNINGS (LOSS)	<u>\$ 2,386</u>	<u>\$ (8,211)</u>	<u>\$ 23,629</u>	<u>\$ 84,638</u>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:				
Class A common	\$ -	\$ -	\$ 0.01	\$ 0.03
Class B common	\$ -	\$ -	\$ 0.01	\$ 0.03
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, 2017 and 2016 - (Unreviewed)**

	<b>Six Months Ended June 30</b>	
	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net earnings (loss)	\$ 23,629	\$ 84,638
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,157	3,375
(Gain) loss from sale of property, plant and equipment	-	-
Changes in operating assets and liabilities:		
Accounts receivable	18,050	24,517
Inventories	(7,178)	17,949
Net investment in sales-type leases	(6,563)	8,975
Prepaid expenses and other current assets	1,342	(479)
Accounts payable and accrued expenses	(21,951)	(44,024)
Deferred rent	(15,000)	270,000
Income taxes	(1,000)	(1,250)
Unpaid rent - related party	-	-
Deferred revenue and customer deposits	(12,740)	(6,777)
Total adjustments	<u>(41,883)</u>	<u>272,286</u>
Net cash provided by (used in) operating activities	<u>(18,254)</u>	<u>356,924</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	-	-
Proceeds from sale of available for sale investments	-	-
Capitalized software production costs	-	-
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Payments) borrowings on revolving credit facility, net	-	(300,000)
Net cash provided by (used in) financing activities	<u>-</u>	<u>(300,000)</u>
Net increase (decrease) in cash and cash equivalents	<b>(18,254)</b>	56,924
Cash and cash equivalents at beginning of year	<b>132,116</b>	20,176
Cash and cash equivalents at end of period	<u><b>\$ 113,862</b></u>	<u>\$ 77,100</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 1,000	\$ 1,250
Cash paid for interest expense	<b>9,499</b>	8,722

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

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