

ELECTRONIC SYSTEMS TECHNOLOGY INC  
Form 10-Q  
October 31, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2016**

OR

“ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

From \_\_\_\_\_ to \_\_\_\_\_

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.**

(Exact name of registrant as specified in its charter)

**Washington**                                      **000-27793**                                      **91-1238077**  
(State or other jurisdiction of incorporation) (Commission File Number)      (IRS Employer Identification No.)

**415 N. Quay St. Bldg B1 Kennewick WA**                                      **99336**  
(Address of principal executive offices)                                      (Zip Code)

(509) 735-9092

(Registrant's telephone number, including area code)

N/A

(Former name, former address & former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all documents and reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filings for the past 90 days. YES x NO ..

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO ..

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

Large accelerated filer

..

Accelerated filer

..

Non-accelerated filer

.. (Do not check if a smaller reporting company)

Smaller reporting company

x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  
" No

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of September 30, 2016, the number of the Company's shares of common stock par value \$0.001, outstanding was 5,081,108.

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.**

**FORM 10-Q**

**September 30, 2016**

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**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements.****ELECTRONIC SYSTEMS TECHNOLOGY, INC.****BALANCE SHEETS**

September 30, 2016

December 31,

(Unaudited)

2015

**ASSETS**

Current assets

Cash and cash equivalents	\$ 618,995	\$ 618,060
Certificates of deposit investments	1,000,000	1,202,625
Accounts receivable	102,290	66,276
Inventories	734,819	603,291
Accrued interest receivable	6,938	7,861
Prepaid insurance	2,736	2,672
Prepaid expenses	22,127	10,474
Deferred income tax asset, current	24,276	24,517
Total current assets	2,512,181	2,535,776
Property and equipment, net	57,955	77,673
Deferred income tax asset, net	144,116	143,875
<b>Total assets</b>	<b>\$ 2,714,252</b>	<b>\$ 2,757,324</b>

**LIABILITIES & STOCKHOLDERS'****EQUITY**

Current liabilities

Accounts payable	\$ 38,013	\$ 8,550
Accrued liabilities	33,590	23,379
Refundable deposits	3,580	3,580
Total current liabilities	75,183	35,509
<b>Total liabilities</b>	<b>75,183</b>	<b>35,509</b>

**COMMITMENTS and CONTINGENCIES**

(NOTE 6)

Stockholders' equity

Common stock, \$0.001 par value 50,000,000 shares authorized 5,081,108 and 5,158,667 shares issued and outstanding, respectively	5,081	5,159
Additional paid-in capital	980,307	1,007,861

Retained earnings	1,653,681	1,708,795
Total stockholders equity	2,639,069	2,721,815
<b>Total liabilities and stockholders equity</b>	<b>\$ 2,714,252</b>	<b>\$ 2,757,324</b>

(See "Notes to Financial Statements")

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.****STATEMENTS OF OPERATIONS**

(Unaudited)

	Three Months Ended Sept. 30, 2016	Three Months Ended Sept. 30, 2015	Nine months Ended Sept. 30, 2016	Nine months Ended Sept. 30, 2015
<b>SALES, NET</b>	\$ 302,252	\$ 401,748	\$ 1,159,846	\$ 1,160,527
<b>SITE SUPPORT</b>	19,216	37,332	90,392	81,899
<b>COST OF SALES</b>	(126,374)	(185,725)	(517,974)	(561,164)
<b>GROSS PROFIT</b>	195,094	253,355	732,264	681,262
<b>Operating Expenses</b>				
General and administrative	67,792	71,191	233,748	255,555
Research and development	59,624	72,502	205,233	219,731
Marketing and sales	113,221	156,803	357,314	482,536
<b>TOTAL OPERATING EXPENSE</b>	240,637	300,496	796,295	957,822
<b>OPERATING INCOME (LOSS)</b>	(45,543)	(47,141)	(64,031)	(276,560)
<b>OTHER INCOME</b>				
Interest income	3,046	2,937	8,917	8,735
<b>TOTAL OTHER INCOME</b>	3,046	2,937	8,917	8,735
<b>NET INCOME (LOSS) BEFORE</b>				
<b>INCOME TAX</b>	(42,497)	(44,204)	(55,114)	(267,825)
Benefit (provision) for income tax	-	-	-	-
<b>NET INCOME (LOSS)</b>	\$ (42,497)	\$ (44,204)	\$ (55,114)	\$ (267,825)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.05)
Weighted average shares used in computing income (loss) per share:				



Basic and diluted	5,081,108	5,158,667	5,097,059	5,158,667
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(See "Notes to Financial Statements")

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.****STATEMENTS OF CASH FLOWS**

(Unaudited)

	Nine months Ended Sept. 30, 2016	Nine months Ended Sept. 30, 2015
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Net loss	\$ (55,114)	\$ (267,825)
Noncash items included in net loss:		
Depreciation	19,718	21,914
Share based compensation	1,841	-
Deferred income taxes		979
Changes in operating assets and liabilities:		
Accounts receivable	(36,014)	(100,908)
Inventories	(131,528)	92,788
Accrued interest receivable	923	(4,984)
Prepaid insurance	64	2,699
Prepaid expenses	(11,782)	(10,616)
Accounts payable	29,463	7,061
Accrued liabilities	10,211	(6,503)
Refundable deposits	-	(26,247)
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(172,218)</b>	<b>(291,642)</b>
<b>CASH FLOWS PROVIDED (USED) IN INVESTING ACTIVITIES:</b>		
Certificates of deposit redeemed	202,625	200,000
Purchases of equipment	-	(14,480)
<b>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>202,625</b>	<b>185,520</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES:</b>		
Repurchase of Shares	(29,472)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(29,472)</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of period	618,060	637,086
Cash and cash equivalents at end of period	\$ 618,995	\$ 530,694

(See "Notes to Financial Statements")

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(Unaudited)

**NOTE 1 - BASIS OF PRESENTATION**

The financial statements of Electronic Systems Technology, Inc. (the "Company"), presented in this Form 10Q are unaudited and reflect, in the opinion of Management, a fair presentation of operations for the three and nine month periods ended September 30, 2016 and September 30, 2015. All adjustments of a normal recurring nature and necessary for a fair presentation of the results for the periods covered have been made. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the applicable rules and regulations of the Securities and Exchange Commission. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Form 10K for the year ended December 31, 2015 as filed with Securities and Exchange Commission.

The results of operations for the three and nine months ended September 30, 2016, are not necessarily indicative of the results expected for the full fiscal year or for any other fiscal period.

*New Accounting Pronouncements*

In July of 2015 the Financial Accounting Standards Board ( FASB ) issued Accounting Standard Update ( ASU ) 2015-11 Simplifying the Measurement of Inventory an update to Inventory Topic 330. The ASU simplifies the concept of lower of cost or market to the low of cost and net realizable value and more closely align the measurement of inventory in Generally Accepted Accounting Principles ( GAAP ) with the measurement of inventory in International Financial Reporting Standards ( IFRS ). The amendments in the Update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years.

**NOTE 2 - INVENTORIES**

Inventories are stated at lower of direct cost or market with cost determined using the FIFO (first in, first out) method. Inventories consist of the following:

