

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

Electronic Control Security, Inc (EKCS)

790 Bloomfield Avenue

Clifton NJ 07012

(973) 574 - 8555

www.ecsiinternationalgov.com

ecsi@ecsiinternational.com

3669

Quarterly Report **For the Period Ending: September 30, 2021** (the "Reporting Period")

As of September 30, 2021, the number of shares outstanding of our Common Stock was:

21,603,596

As of June 30, 2021, the number of shares outstanding of our Common Stock was:

21,541,596

As of March 31, 2021, the number of shares outstanding of our Common Stock was:

21,267,596

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

¹ "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

Yes: ☐ No: ☒

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

The name of the issuer is Electronic Control Security, Inc.

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

State of Incorporation: NJ

Current standing: Active

Incorporation:

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

N/A

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

N/A

The address(es) of the issuer's principal executive office:

790 Bloomfield Avenue

Clifton NJ 07012

The address(es) of the issuer's principal place of business:

Check box if principal executive office and principal place of business are the same address: ☒

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: ☐ No: ☒

If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below:

2) Security Information

Trading symbol:

EKCS

Exact title and class of securities outstanding:

Common Stock

CUSIP:	<u>285617106</u>	
Par or stated value:	<u>\$0.001</u>	
Total shares authorized:	<u>30,000,000</u>	as of date: <u>September 30, 2021</u>
Total shares outstanding:	<u>21,603,596</u>	as of date: <u>September 30, 2021</u>
Number of shares in the Public Float ² :	<u>8,422,360</u>	as of date: <u>September 30, 2021</u>
Total number of shareholders of record:	<u>191</u>	as of date: <u>September 30, 2021</u>

All additional class(es) of publicly traded securities (if any):

Trading symbol:	<u>N/A</u>	
Exact title and class of securities outstanding:	<u>Series A Convertible Preferred Stock ("Series A")</u>	
CUSIP:	<u>N/A</u>	
Par or stated value:	<u>\$0.01</u>	
Total shares authorized:	<u>5,000,000</u>	as of date: <u>September 30, 2021</u>
Total shares outstanding:	<u>300,000</u>	as of date: <u>September 30, 2021</u>

Additional class of securities (if any):

Trading symbol:	<u>N/A</u>	
Exact title and class of securities outstanding:	<u>Series B Convertible Preferred Stock ("Series B")</u>	
CUSIP:	<u>N/A</u>	
Par or stated value:	<u>\$0.001</u>	
Total shares authorized:	<u>2,000</u>	as of date: <u>September 30, 2021</u>
Total shares outstanding:	<u>265</u>	as of date: <u>September 30, 2021</u>

Transfer Agent

Name: VStock Transfer, LLC
 Phone: (212) 8288426
 Email: 0-K@vstocktransfer.com
 Address: 13 Lafayette Place,
Woodmere, NY

Is the Transfer Agent registered under the Exchange Act?³ Yes: ☒ No: ☐

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

² "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

³ To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☐

Shares Outstanding as of Second Most Recent Fiscal Year End: <div>Opening Balance</div> Date <u>June 30, 2019</u> Common: <u>19,324,536</u> Preferred: <u>300,000</u> <u>Series A</u> 253 Series B			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
<u>9/25/2019</u>	<u>Issuance</u>	<u>50,000</u>	<u>Common</u>	<u>0.001</u>	<u>No</u>	<u>Robert Oliver</u>	<u>Cash</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>2/4/2020</u>	<u>Issuance</u>	<u>5,000</u>	<u>Common</u>	<u>0.001</u>	<u>No</u>	<u>Wilfred Zavala</u>	<u>Cash</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>2/4/2020</u>	<u>Issuance</u>	<u>10,000</u>	<u>Common</u>	<u>0.001</u>	<u>No</u>	<u>Marino Sciancalepore</u>	<u>Cash</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>2/4/2020</u>	<u>Issuance</u>	<u>5,000</u>	<u>Common</u>	<u>0.001</u>	<u>No</u>	<u>Adam Stern</u>	<u>Cash</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>2/5/2020</u>	<u>Issuance</u>	<u>25,000</u>	<u>Common</u>	<u>0.001</u>	<u>No</u>	<u>Edward Snow</u>	<u>Cash</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act

<u>3/2/2020</u>	<u>Issuance</u>	<u>50,000</u>	<u>Common</u>	<u>0.001</u>	<u>No</u>	<u>David Aboudi</u>	<u>Cash</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>3/3/2020</u>	<u>Issuance</u>	<u>10,000</u>	<u>Common</u>	<u>0.001</u>	<u>No</u>	<u>Rade Goreski</u>	<u>Cash</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>5/27/2020</u>	<u>Issuance</u>	<u>50,000</u>	<u>Common</u>	<u>0.001</u>	<u>No</u>	<u>Jacob Muller</u>	<u>Conversion of loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>6/19/2020</u>	<u>Issuance</u>	<u>55,560</u>	<u>Common</u>	<u>0.001</u>	<u>No</u>	<u>Norman Barta</u>	<u>Conversion of loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>7/08/2020</u>	<u>Issuance</u>	<u>50,000</u>	<u>Common</u>	<u>0.001</u>	<u>No</u>	<u>Jacob Muller</u>	<u>Conversion of loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>7/8/2020</u>	<u>Issuance</u>	<u>50,000</u>	<u>Common</u>	<u>0.001</u>	<u>No</u>	<u>Dean Ward</u>	<u>Conversion of loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>7/8/2020</u>	<u>Issuance</u>	<u>50,000</u>	<u>Common</u>	<u>0.001</u>	<u>No</u>	<u>Fernanda Oliveira</u>	<u>Conversion of loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>7/8/2020</u>	<u>Issuance</u>	<u>50,000</u>	<u>Common</u>	<u>0.001</u>	<u>No</u>	<u>Thomas Isdanavich</u>	<u>Conversion of loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>10/20/2020</u>	<u>Issuance</u>	<u>82,500</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>Andrew Barchenko</u>	<u>Conversion of loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>10/20/2020</u>	<u>Issuance</u>	<u>500,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>Arthur Barchenko</u>	<u>Conversion of loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the

									Securities Act
<u>10/20/2020</u>	<u>Issuance</u>	<u>500,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>Barchenko Family Trust</u>	<u>Conversion of loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>10/20/2020</u>	<u>Issuance</u>	<u>35,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>Fernanda Oliveira</u>	<u>Conversion of loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>10/20/2020</u>	<u>Issuance</u>	<u>20,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>Carol Lazar</u>	<u>Conversion of loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>11/9/2020</u>	<u>Issuance</u>	<u>50,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>Thomas Isdanavich</u>	<u>Conversion of loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>11/9/2020</u>	<u>Issuance</u>	<u>50,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>William Brennan</u>	<u>Conversion of loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>11/9/2020</u>	<u>Issuance</u>	<u>50,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>Ronald Thomas</u>	<u>Conversion of Loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>11/9/2020</u>	<u>Issuance</u>	<u>25,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>Marino Sciancalepor</u>	<u>Conversion of Loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>1/6/2021*</u>	<u>Issuance</u>	<u>100,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>Jacob Muller</u>	<u>Compensation</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>2/10/2021*</u>	<u>Issuance</u>	<u>20,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>Carol Lazal</u>	<u>Compensation</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act

<u>2/10/2021*</u>	<u>Issuance</u>	<u>25,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>Thomas Isdanavich</u>	<u>Compensation</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>2/10/2021*</u>	<u>Issuance</u>	<u>25,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>Fernanda Oliveira</u>	<u>Compensation</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>4/13/2021</u>	<u>Issuance</u>	<u>44,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>Yaser M. Hassan</u>	<u>Conversion of Loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>6/1/2021</u>	<u>Issuance</u>	<u>100,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>Arthur Barchenko</u>	<u>Conversion of Loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>6/9/2021</u>	<u>Issuance</u>	<u>80,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>Stephen Rosetti</u>	<u>Conversion of Loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>7/21/21</u>	<u>Issuance</u>	<u>50,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>TME Consulting LLC, held by Maj Soueidan</u>	<u>Conversion of Loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>8/9/21</u>	<u>Issuance</u>	<u>25,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>Fernanda Oliveira</u>	<u>Conversion of Loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>8/9/21</u>	<u>Issuance</u>	<u>2,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>Alger Acquah</u>	<u>Conversion of Loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
<u>8/9/21</u>	<u>Issuance</u>	<u>25,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>Adam Stern</u>	<u>Conversion of Loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act

<u>8/9/21</u>	<u>Issuance</u>	<u>10,000</u>	<u>Common</u>	<u>0.01</u>	<u>No</u>	<u>Jonas Acquah</u>	<u>Conversion of Loan</u>	<u>R</u>	Exemption: Section 4(a)(2) of the Securities Act
Shares Outstanding on Date of This Report:									
<u>Ending Balance:</u>									
Date <u>September 30, 2021</u>									
Common: <u>21,603,596</u>									
Preferred: 300,000 Series A									
253 Series B									

Example: A company with a fiscal year end of December 31st, in addressing this item for its quarter ended June 30, 2021, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2019 through June 30, 2021 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

* Shares that were issued during quarter ended March 31, 2021 but inadvertently didn't appear in the report for such period filed on May 24, 2021.

B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☒

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

Use the space below to provide any additional details, including footnotes to the table above:

4) Financial Statements

A. The following financial statements were prepared in accordance with:

- ☒ U.S. GAAP
☐ IFRS

B. The financial statements for this reporting period were prepared by (name of individual)⁴:

Name: Robert Jeffrey
Title: CPA
Relationship to Issuer: Accountant

Provide the financial statements described below for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- C. Balance Sheet;
- D. Statement of Income;
- E. Statement of Cash Flows;
- F. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- G. Financial notes; and
- H. Audit letter, if audited

You may either (i) attach/append the financial statements to this disclosure statement or (ii) file the financial statements through OTCIQ as a separate report using the appropriate report name for the applicable period end. ("Annual Report," "Quarterly Report" or "Interim Report").

If you choose to publish the financial statements in a separate report as described above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to OTCIQ in the field below. Financial Statements must be compiled in one document.

Financial statement information is considered current until the due date for the subsequent report (as set forth in the qualifications section above). To remain qualified for Current Information, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of each fiscal quarter-end date.

5) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Electronic Control Security Inc. ("ECSI" or the "Company" or "we" or "us") designs, manufactures and supplies standalone and fully integrated state-of-the-art entry control and perimeter intrusion detection systems for the Department of Defense, Department of Energy, nuclear power stations, and various international customers. We offer U.S. Air Force certified technology and a comprehensive services portfolio that includes: site survey/risk assessment, design & engineering, systems manufacturing and integration, factory acceptance

⁴ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

testing, installation supervision, commissioning, operations and maintenance training. We work closely with architects, engineers, systems integrators, construction managers and owners in the development and design of security monitoring and control systems that will afford a normative but secure environment for management, staff and visitors. To support such efforts, ECSI's team of key personnel are technically accomplished and fully familiar with advances in planning, programming and designing systems utilizing standard peripheral components, mini/micro architecture, user friendly software/firmware selection and application.

Strategic Positioning / Competitive Advantage

ECSI's design experts are experienced in the various technologies (both mature and emerging) being applied to security challenges in the U.S. and world-wide because they have been intimately involved in developing "turnkey" security systems for U.S. Government facilities (Department of Defense (DoD), Department of Energy (DoE), Nuclear Regulatory Commission-licensed nuclear facilities, United Nations Conference Center in Addis Ababa, Ethiopia, and oil and gas facilities in Kingdom of Saudi Arabia and Algeria, as well as port security projects in Morocco and Nigeria. We believe that our company is strategically positioned to leverage our experience and expertise because of the following:

- 39+ year track record with high customer retention rate;
- U.S. Air Force certified technology;
- Best industry warranty - 10 Years on select equipment;
- General Services Administration (GSA) contract, which is renewable year to year;
- Competitive Small Business (SB) capable of taking advantage of government solicited Small Business Set-Aside contract opportunities;
- Strong teaming arrangements with large systems integrators to supply technology and offer design and engineering support services to on multiple current and pending contracts;
- Award by Space and Naval Warfare Systems Command ("SPAWAR") on May 2, 2012 affords ECSI a five-year multi-million dollar contract vehicle for DoD project procurement; Separate award by SPAWAR on July 19, 2012, affords ECSI another five-year multi-million dollar contract vehicle for DoD project procurement; and
- World-wide implementation and support through robust domestic and international marketing and distribution network with multiple direct and indirect distribution channels and strategic partnerships for the Kingdom of Saudi Arabia, Iraq, Kazakhstan, Egypt, Kuwait, the Afghan/Pakistan border, and Zambia.

We believe that our competitive advantages include the following:

- providing the highest level of perimeter protection;
- offering supporting technologies and systems to enable total systems integration;
- delivering systems that are easy to operate and maintain while providing superior life cycle cost performance;
- solid credentials in protecting high value targets;
- best industry warranty
- superior technologies --- technologies targeted to the specific protected environment, and
- Interoperability Device Management System (IDMS) offering situational awareness and total system management.

B. Please list any subsidiaries, parents, or affiliated companies.

N/A

C. Describe the issuers' principal products or services.

Integration Support Services

ECSI has worked with system integrators on various high-threat projects including the World Trade Center in New York City after the first bombing in 1993, Rocky Flats, Golden, CO., Pantex, Amarillo, TX, naval facilities in Washington, D.C. and Maryland, as well as UNECA's facility in Addis Ababa, Ethiopia. Each of these projects utilized different hardware and software platforms for the Central Alarm Station (GAS) and Secondary Alarm Station (SAS) including Livermore Argus System at the Pantex Facility.

It is imperative for a facility to have remote devices and subsystems integrated with the hardware and software at the GAS and SAS. The inherent design of an interoperable device management system (IDMS) lends itself to integrate with any of the remote devices and sub-systems that will be selected for a Perimeter Intrusion Detection and Assessment System (PIDAS). Based on our experience in system design, application, commissioning, training and operation, the integration of the various technologies proceeds in a seamless manner.

Consulting Support Services

The consulting support services we provide our dealers/installers and system integrators are an integral part of the security solution. Effective and efficient use of technology can be achieved only if properly utilized. Toward that end, we assist our customers in conducting risk assessment and vulnerability/criticality studies to ascertain their security requirements and develop a comprehensive risk management and mitigation program; and provide security system design support services. Our support services generally represent the first steps in assisting the dealer/installer or systems integrator to develop a security solution. The risk assessment, threat, vulnerability and criticality analyses that the system integrator utilizes allows us to develop effective responses necessary to address and mitigate the threat.

Our design personnel are expert in their knowledge of the various technologies (mature and emerging) and their application to security challenges, both in the United States and abroad, because they continue to be intimately involved in developing security systems for government facilities in the United States and overseas.

Security Industry Overview

The Security Institute of America estimates that the worldwide market for security products and services in 2016 will exceed \$8 billion. The industry encompasses a wide ranging, highly fragmented group of products and service providers which includes entities that market comprehensive security systems and offer security consulting services, such as dealers/installers, small single product companies, equipment manufacturers, and large systems integrators. We believe the security industry will continue to grow rapidly because:

western nations have been the target of high profile terrorist attacks over the last several years that have squarely focused attention on security and threat issues;

perimeter security for airports, maritime, chemical, transportation, energy and pharmaceutical facilities has been mandated by Homeland Security;

newer, more effective and efficient security equipment incorporating advancements in security technology is replacing obsolete equipment;

DoD & DoE are upgrading their facilities to enhance security while reducing manpower;

nuclear power stations both in the United States and overseas have increased the level of security based on recent NRDC security requirements; and

private industry is operating in more remote geographic locations and higher risk environments.

Product Design

We design and develop new products based upon market requirements and as deemed necessary to meet clients' specific needs. We research and assess threat and vulnerability issues and design and engineer our products in-house, with outside consultants as needed, and in conjunction with joint venture partners to meet the requirements of clients based upon the results of such research. We investigate new and emerging technologies that have application in the security industry and seek to license these technologies which we may incorporate into our product line.

Products, Systems and Technologies

The services and technologies required to create a secure environment must address the entire range of security concerns that challenge government and commercial institutions, including the protection of personnel and physical assets.

Our Integrated Security Solutions are comprised of one or more subsystems and components that perform a variety of security functions for a facility with a single Command and Control Center and, in certain cases, a back-up Command & Control Center that incorporates many of our systems integrated with legacy and Government or owner furnished technologies.

Product Focus

Automated Entry Control System (AECS) automated vehicle/personnel gate system consisting of Radio Frequency Identification (RFID) to read vehicle tags, license plate cameras (front & rear), personnel card readers (e.g., proximity, barcode) and keypad, intercom and camera, anti-tailgating sensors, electric gates. Integrated system interfaced with facility's databases for rapid identification of vehicles/personnel for reasonable traffic flow.

Infrared Perimeter Intrusion Detection (IPID®) U.S. Air Force Certified. Standard with Department of Energy and Nuclear Regulatory Commission power stations. System offers an undefeatable barrier of pulsed infrared beams to create multiple intrusion detection zones, each with a range of up to 330 feet. Modular design can be stacked to form an invisible wall that cannot be penetrated without detection.

Fiber Optic Intelligence Detection System FOIDS® Standard with Department of Energy and several international oil & gas companies. Most advanced fiber optic sensor technology available for fence/wall line perimeter monitoring and intrusion detection. FOIDS® uses single mode fiber optic cable and highly sensitive interferometry technology for intrusion detection long fences and walls

up to a zone length of 3.5 miles. The system detects climbing, cutting, and pulling along the fence/wall line. Technology does not use electronics in the field, has a range of over 60km, and uses single mode fiber optic cable.

PTZ Cameras. The view of PTZ cameras can be adjusted a number of ways: Human manipulation, motion detection, door contact signals or automatically to a preset pattern. The use of PTZ cameras to automatically track an intruder based on an alarm from another technology provides the best solution.

Day/Night & Thermal Imaging Cameras Highest Rated, all weather environmental enclosures (-40° F to +149° F). High resolution sensor for clear, sharp imagery. Uniformity of picture (no white or dark borders found in other cameras). Smooth transition between extreme temperature differences. No "residue" trailing in picture when camera shifts positioning. Range up to 21 Km (13 miles). Built-in video "trip-wire" intelligent motion detection. Full service support, including Maintenance and Repair.

ECSI Long Range Day / Night CCTV. ECSI's Long Range Day/Night camera offers imaging systems for any security application where lighting is impractical, too expensive or where long-range performance is required. For border security, port security, and critical infrastructure applications, the system has proven vital to threat detection initiatives.

Vehicle Gate Automation. ECSI's smart gate consists of Radio Frequency Identification (RFID) equipment to read vehicle tags, personnel card readers (e.g., proximity cards, bar-coded information on identification cards and the Access Control Card (ACC), biometric validation, etc.), visual and acoustic devices supplying the Human-Machine Interface to alert the Security Force (SF) team to identification and threat assessment results, a computer-based access control system interfacing with the facility databases.

ECSI Long Range Radar. Potential intruders entering oil fields, refineries, bases, or crossing borders can now be detected and monitored remotely using an innovative radar design. The radar systems, named "Area Intrusion Monitoring System" (AIMS) operate with uniquely low power and light weight solid state components.

Water Infrastructure Sensing Equipment (WISE®). Proprietary real-time, on-Line bio/chemical detection and reporting system. Continually monitors water flow for chemical and biological contaminants. Immediately reports out-of-parameter conditions (via e-mail or SCADA) to any number of recipients. Draws sample of contaminated water for further analysis. Offers capability of bypassing or shutting down flow of contaminated water. DoD/EPA tested.

Interoperable Device Management System (IDMS)

Comprehensive interoperability platform for total system management capability. IDMS delivers comprehensive integration of security systems (transparent to the end user); single view of events and incidents (via customized role-specific graphical user interfaces and dashboards); process-driven event management (via graphical workflow tools, response plans and customized alarm stack design); analysis, status and management information (built-in report designers to provide timely and effective reports and statistics on compliance to security policies). Open architecture allows integration of new and legacy systems - ability to monitor and control systems simultaneously through one easy-to-use interface (automated entry control systems, intrusion detection systems, day/night & thermal imaging cameras, etc.) This technology permits the Command Control Communication and Computer (CCC&C) center to operate as the custodial and security nerve center where officers in the center have the ability to perform the IDMS monitoring and control process on one new network.

Emergency Response Stations:

The Emergency Response Stations provide the immediate response to potential security incursions. The surveillance system is monitored by sensor technology supplemented by CCTV cameras. The ERS is networked to the surveillance system and other sensor nodes through a redundant fiber optic network. The optical cameras provide immediate assessment of any potential target in the operational sector. We believe that the technology we offer is qualitatively comparable to or more effective than those offered by our competitors because our products:

- provide low nuisance and false alarm rates;
- are reliable in virtually any environmental condition;
- in many cases can be user specified and adapted to their environment; and
- are subject to low installation and maintenance costs.

Markets for Our Products

We have identified a number of markets for our products and have developed programs to gain access to those target markets. The U.S. Government, along with many of its agencies and departments, represents a significant market for our products. We are now implementing a proactive marketing program to increase sales of our products to the following U.S. Government agencies, all of which

have purchased our products in the past and will continue to be among our top customers. Further, in many instances, laws have been enacted and mandates decreed for compliance with some minimum security standards. Airport security is a prime example. We target these entities as well as entities where we can demonstrate the need for security measures.

Primary markets that we target include:

- the U.S. Government, its agencies and departments, including the Department of Defense and the Department of Energy;
- border, airport and seaport facilities;
- energy facilities, including nuclear power stations, utilities, chemical-petrochemical pipelines;
- foreign/export opportunities in all of the above-noted target markets.

Our open-ended contract with the General Services Administration (GSA), which has been extended through July 31, 2014 and which is renewable year to year, authorizes the U.S. Government and a network of eligible sources to purchase materials and services from us on negotiated and approved prices without having to undergo a full competitive bid. The Company is a technology supplier to the three large system integrators selected for the FPS' program addressing United States Air Force Bases over the next four years.

Foreign/Export Opportunities. Government operations and private industries in foreign countries are all subject to the same security issues that challenge similar entities in the United States. We, along with our strategic teaming partners and international sales representatives, continue to seek penetration of these major market opportunities, i.e. Kingdom of Saudi Arabia, Kuwait, Qatar, Egypt, Uganda, Ethiopia, Ghana, Nigeria, and Zambia

6) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

Our corporate headquarters are located at 790 Bloomfield Avenue, Clifton, New Jersey where we lease approximately 12,200 square feet of space divided among administrative (2,600 square feet) and manufacturing (9,600 square feet) space. We have renewed our lease for this space through April 30, 2018 at a rent of \$7,098 per month with an option to renew through April 30, 2028.

7) Company Insiders (Officers, Directors, and Control Persons)

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Using the tabular format below, please provide information, as of the period end date of this report, regarding any person or entity owning 5% or more of any class of the issuer's securities, as well as any officer, and any director of the company, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Name of Officer/Director or Control Person	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
<u>Arthur Barchenko</u>	<u>CEO</u>	<u>Wayne, NJ</u>	<u>4,587,982</u>	<u>Common</u>	<u>21.24%</u>	
<u>Edward F. Snow</u>	<u>Director</u>	<u>Madison, AL</u>	<u>40,000</u>	<u>Common</u>	<u>0.19%</u>	_____
<u>Norman J. Barta</u>	<u>Director</u>	<u>Fairlawn, NJ</u>	<u>605,650</u>	<u>Common</u>	<u>2.80%</u>	_____
<u>Stephen Rossetti</u>	<u>Director</u>	<u>Bethesda, MD</u>	<u>80,000</u>	<u>Common</u>	<u>0.37%</u>	_____
<u>Richard Stern</u>	<u>Officer</u>	<u>Butler, NJ</u>	<u>210,000</u>	<u>Common</u>	<u>0.97%</u>	
<u>Thomas Isdanavich</u>	<u>Officer</u>	<u>Metairie, LA</u>	<u>360,000</u>	<u>Common</u>	<u>1.67%</u>	
<u>Barchenko Family Trust</u>	<u>Owner of more than 5%</u>	<u>Wayne, NJ</u>	<u>4,530,745</u>	<u>Common</u>	<u>20.97%</u>	<u>Executor of the Trust – Arthur Barchenko</u> <u>7 Belair Terrace, Wayne, NJ</u>

8) Legal/Disciplinary History

A. Please identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

Securities Counsel

Name: David Aboudi
Firm: Aboudi Legal Group PLLC
Address 2: New York, NY 10151
Phone: (972) 523-983-707
Email: david@aboudilegal.com

Accountant or Auditor

Name: Robert Jeffrey
Firm: Jeffrey & Co.
Address 1: 573 Valley Road, Suite 9A
Address 2: Wayne, NJ 07470
Phone: (973) 628-0022
Email: rgjcpa@optonline.net

Investor Relations

Name: _____
Firm: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s) or consultant(s) or provided assistance or services to the issuer during the reporting period.

Name: _____
Firm: _____
Nature of Services: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Arthur Barchenko certify that:

1. I have reviewed this Quarterly report of Electronic Control Security, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

11/15/2021

/S/ Arthur Barchenko

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

Principal Financial Officer:

I, Arthur Barchenko certify that:

1. I have reviewed this quarterly report of Electronic Control Security, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

11/15/2021

/S/ Arthur Barchenko

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

ELECTRONIC CONTROL SECURITY, INC and SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

ELECTRONIC CONTROL SECURITY, INC.AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2021

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Electronic Control Security, Inc. and Subsidiaries
Consolidated Balance Sheets

	<u>September 30, 2021</u>	<u>June 30, 2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 513	\$ 21,579
Accounts receivable, net of allowance of \$16,012	752,359	660,802
Inventories, net of reserve	1,232,421	1,221,036
Other current assets	13,250	-
Total current assets	<u>1,998,543</u>	<u>1,903,417</u>
Property, equipment and software development costs - net	21,195	21,633
Intangible assets - net	432,456	523,219
Deferred income taxes	211,531	211,531
Total Assets	<u>\$ 2,663,725</u>	<u>\$ 2,659,800</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,394,263	\$ 1,418,902
Due to officers and shareholders	1,713,244	1,580,565
Customer deposits	15,427	14,427
Notes payable	281,938	309,014
Total current liabilities	<u>3,404,872</u>	<u>3,322,908</u>
Noncurrent liabilities		
Payroll Protection loan	137,964	137,964
SBA loan	150,000	150,000
Subordinated liabilities to officers and shareholders	848,080	848,080
Total noncurrent liabilities	<u>1,136,044</u>	<u>1,136,044</u>
Total liabilities	<u>4,540,916</u>	<u>4,458,952</u>
Shareholders' deficit		
Series A convertible preferred stock, cumulative, \$.01 par value, \$2.00 liquidation preference: 5,000,000 shares authorized, 300,000 issued and outstanding	3,000	3,000
Series B 10% convertible preferred stock, cumulative, \$.001 par value; \$3,274 per share liquidation preference; 2,000 shares authorized, 253 issued and outstanding	-	-
Common stock, \$.001 par value: 30,000,000 shares authorized; 21,583,596 and 21,521,596 issued and outstanding	21,583	21,521
Additional paid-in capital	15,466,544	15,436,790
Accumulated deficit	(17,363,045)	(17,255,190)
Accumulated other comprehensive income	4,790	4,790
Treasury stock, at cost, 4,910,155 shares	(10,063)	(10,063)
Total shareholders' deficit	<u>(1,877,191)</u>	<u>(1,799,152)</u>
Total Liabilities and Shareholders' Deficit	<u>\$ 2,663,725</u>	<u>2,659,800</u>

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

Electronic Control Security, Inc. and Subsidiaries
Consolidated Statements of Operations
For the Three Months Ended September 30, 2021 and 2020

	2021	2020
Revenue	\$132,830	\$ 155,522
Cost of revenue	52,025	113,464
Gross profit	80,805	42,058
Selling, general and administrative expenses	108,529	46,052
Loss from operations before write-off	(27,724)	(3,994)
Write-off of software development costs	71,826	-
Loss from operations	(99,550)	(3,994)
Other income (expense)		
Interest expense	(23,305)	(23,418)
Other income	15,000	10,417
Net other expense	(8,305)	(13,001)
Loss before income taxes	(107,855)	(16,995)
Provision for income taxes	-	-
Loss before dividends	(107,855)	(16,995)
Dividends related to convertible preferred stock	-	15,000
Net loss attributable to common shareholders	\$(107,855)	\$ (31,995)
Net loss per share:		
Basic and diluted	\$ (.01)	\$
Weighted average number of common shares outstanding	21,521,904	19,764,987

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

Electronic Control Security, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Deficit
For the Year Ended June 30, 2021 and the Three Month Period Ended September 30, 2021

	Series A Convertible Preferred Stock		Series B 10% Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total
	Shares	Amount	Shares	Amount	Shares	Amount					
Balances June 30, 2020	300,000	\$3,000	253	\$ -	19,585,096	\$ 19,585	\$ 15,190,853	\$(17,350,652)	\$4,790	\$(10,063).	\$(2,142,487)
Issuance of stock for cash						80	7,995				8,075
Issuance of stock for debt reduction					1,906,500	1,826	177,972				179,798
Net Profit								155,462			155,462
Dividends on preferred stock					30,000	30	59,970	(60,000)			-
Balance June 30, 2021	300,000	3,000	253	-	21,521,596	21,521	15,436,790	(17,255,190)	4,790	(10,063)	(1,799,152)
Issuance of stock for debt reduction					62,000	62	29,754				29,816
Net loss								(107,855)			(107,855)
Balance September 30, 2021	300,000	\$3,000	253	\$ -	21,583,596	\$21,583	\$ 15,466,544	\$(17,363,045)	\$4,790	\$(10,063)	\$ (1,877,191)

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

Electronic Control Security, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Three Month Periods Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Net loss before deemed dividends	\$ (107,855)	\$ (16,995)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	19,375	20,024
Changes in assets and liabilities:		
Increases in accounts receivable	(19,731)	(29,007)
Decrease (increase) in inventories	(11,385)	20,842
Increase (decrease) in customer deposits	1,000	(23,559)
Decrease in other current assets	-	8,797
(Decrease) Increase in accounts payable and accrued expenses	(24,577)	35,039
Net cash provided by (consumed by) operating activities	<u>(143,173)</u>	<u>15,141</u>
Cash flows from Investing Activities:		
Software development costs	-	(139,324)
Reimbursement for development costs	-	70,000
Increase in security deposits	(13,250)	
Purchase of fixed assets	-	(484)
Net cash used in investing activities	<u>(13,250)</u>	<u>(69,808)</u>
Cash flows from financing activities:		
Payments on notes payable	(27,696)	(17,826)
Increases in amounts due to officers, shareholders and affiliates	163,053	40,903
Net cash provided by financing activities	<u>135,357</u>	<u>23,077</u>
Net decreases in cash and cash equivalents	(21,066)	(31,590)
Cash and cash equivalents at beginning of period	<u>21,579</u>	<u>31,857</u>
Cash and cash equivalents at end of period	<u>\$ 513</u>	<u>\$ 267</u>

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

Electronic Control Security, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2021

Note 1 – Nature of Business

Electronic Control Security Inc. and its subsidiaries (collectively “the Company”) is engaged in design, development, manufacture and marketing of technology-based integrated security solutions. The Company also performs support services consisting of risk assessment and vulnerability studies to ascertain a customer’s security requirements in developing a comprehensive risk management and mitigation program as well as product design and engineering services in support of the systems integrators and dealers/installers providing these services to clients.

The Company’s office and manufacturing facilities are located in Clifton, New Jersey. Products and services are marketed domestically and internationally to national and local government entities, chemical and petrochemical facilities, energy facilities, commercial transportation centers, border security, and water and agricultural resources.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The financial statements and accompanying notes have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Principles of Consolidation

The financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company accounts and transactions have been eliminated.

Cash and Cash Equivalents

The Company considers all deposits with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends.

Electronic Control Security, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market. A reserve for potentially obsolete or slow-moving inventory is provided based on management's analysis of inventory aging, inventory levels and future sales forecasts.

Property and Equipment and Depreciation

Property and equipment is recorded at historical cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets, which vary from three to ten years. Cost of repair and maintenance is charged to operations in the period incurred.

Software Development Costs

Software development costs are expensed as incurred until technological feasibility is established. Software development costs incurred subsequent to establishing technological feasibility are capitalized and amortized. Amortization is provided based on the greater of the ratio that current gross revenues for a product bears to the total of current and anticipated future gross revenues for that product, or the straight-line method, with useful lives determined to be five years.

The Company is developing two software projects for use with hardware developed by an Israeli firm. These projects are being partially financed by a grant from a private foundation. Development cost of \$159,849 was incurred during the year ended June 30, 2021 and installments totaling \$181,017 were received under the grant. The net expenditure was recorded as an addition to intangible assets. There were no expenditures or reimbursements during the three month period ended September 30, 2021, but it was determine during the period that \$71,826 of the net receivable would not be collected and it was written off. These projects are expected to be completed during the year 2021. Amortization will begin when each project is completed and software is placed in service.

Electronic Control Security, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Intangible Assets

The costs of licenses, patents, and trademarks are being amortized on the straight-line method over their useful lives, ranging from five to twenty years.

Earnings per Share

Basic earnings per share is computed based on the weighted-average number of shares of Company common stock outstanding. Diluted earnings per share is computed based on the weighted-average number of shares of Company common stock, including common stock equivalents outstanding.

Common share equivalents stemming from stock options and convertible preferred stock that would have anti-dilutive effects are excluded in the calculation of average shares outstanding.

Revenue Recognition

The Company recognizes product revenue at the time of shipment. Revenue from consulting and design services is recognized at the time the services are rendered. Revenue under contracts with periods of performance greater than one year is recognized utilizing the percentage of completion method. The Company had no contracts at September 30, 2021 with durations of more than one year.

The Company also provides professional and technical services under specific contracts, based on a time and material plus fixed profit basis. Revenue on these contracts is recognized to the extent of costs incurred plus a proportionate amount of profit earned. Contract costs including indirect costs are subject to audit by agencies of the United States Government. Management believes future adjustments, if any, from government cost audits will not have a material effect on the financial statements.

Electronic Control Security, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Warranty Reserve

All the Company's products carry a warranty and the Company maintains a reserve for warranty work based on historical experience and anticipation of possible warranty work. IPID ® sensors are warranted for ten years, under normal use, against defects in workmanship and material from date of installation of the system on the customer's premises. All other components are warranted to the extent of the warranty given by the actual manufacturer. FOIDS ® processors are warranted for a ten year period. For three month period ended September 30, 2021 and the year ended June 30, 2021, net expenses attributable to warranties were below the amounts accrued.

Research and Development

Research and development expenditures are expensed as incurred. There were no costs incurred for research and development during the three month period ended September 30, 2021 or the year ended June 30, 2021.

Advertising Costs

Advertising costs are recorded in selling, general and administrative expenses, and include advertising, marketing and promotional programs. These costs are charged to expense in the period in which they are incurred. The Company did not incur advertising costs in the three month period ended September 30, 2021 or the year ended June 30, 2021.

Shipping and Handling

Shipping and handling costs are recorded as costs of revenues in the periods incurred.

Stock Based Compensation

The Company accounts for stock-based compensation in accordance with accounting guidance codified as FASB ASC Topic 718, "Compensation – Stock Compensation". Under the fair value recognition provision of FASB ASC Topic 718, stock-based compensation cost is estimated at the grant date based on the fair value of the award. The Company estimates the fair value of stock options granted using a Black-Scholes-Merton option pricing model.

Electronic Control Security, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes

The Company accounts for income taxes in accordance with accounting guidance now codified as Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, “Income Taxes,” which requires the use of the “liability method”. Accordingly, the Company recognizes deferred tax liabilities and assets based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities, using enacted tax rates in effect in the years the differences are expected to reverse. Deferred income tax benefit (expense) results from the expected benefit of future uses of net operating losses (NOL’s). A valuation allowance is recorded when it is more likely than not that some or all deferred tax assets will not be realized.

The Company has adopted the provisions of FASB ASC 740-10-05, “Accounting for Uncertainties in Income Taxes.” The ASC clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements. The ASC prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The ASC provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Fair Value of Financial Instruments

Substantially all of the Company’s financial instruments, consisting primarily of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and other current liabilities, are carried at, or approximately at, fair value because of their short-term nature or because they carry market rates of interest.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Electronic Control Security, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

New Authoritative Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step process to achieve the core principle, ASU 2014-09 requires disclosures enabling users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flow arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. Implementation of this standard did not have a material effect on its financial position, results of operations or cash flows.

On February 25, 2016, the FASB issued ASU 2016-02 Leases, which require most leases (with the exception of leases with terms of less than one year) to be recognized on the balance sheet as assets and lease liabilities. Leases are classified as operating leases or as financing leases. Rents paid on operating leases are expensed using the straight-line method whereas rents paid on financing leases are treated similarly to a capital lease under a previous standard. Implementation of this standard did not have a material effect on the financial position of the Company or its results of operations or cash flows.

Management does not believe that any other recently issued, but not yet effective, accounting standard if currently adopted would have a material effect on the accompanying financial statements.

Electronic Control Security, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Segment Reporting

The Company is organized in one reporting and accountable segment.

Going Concern

The consolidated financial statements have been presented assuming the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Although the Company earned \$155,462 in the year ended June 30, 2021, in the year ended June 30, 2020, the Company incurred losses before dividends of \$304,101. In addition, at June 30, 2021, the Company had a working capital deficit of \$1,478,155 and had a shareholders' deficit of \$1,799,152. Officers, shareholders and affiliates provided funds in the form of cash advances and deferral of accrued costs and expenses due to them during the three month period ended September 30, 2021 and in the year ended June 30, 2021. These deferrals totaled \$213,806 in the year ended June 30, 2021. In addition, during the year ended June 30, 2021, the Company received both long term and short term loans that totaled \$264,964.

The Company has been awarded, from time to time, as the prime contractor or as a subcontractor, ID/IQ contracts from units of the Department of Defense. These ID/IQ contracts provide that task orders under the contracts require competitive bids to be submitted by the Company as those task orders are issued. These contracts have now expired and the Company has sought to expand its business both domestically and internationally by continuing to submit proposals in response only to firm fixed price bid to build Requests for Proposal ("RFPs").

The issues described above raise substantial doubt about the ability of the Company to continue as a going concern. Management plans to overcome these problems by addressing only bid to build RFPs, but the realization cannot be assured. The Company has been severely affected by the COVID pandemic and continues to be dependent upon its ability to generate sufficient cash flow either from operations, from continued funding from officers and shareholders or from additional financing.

Electronic Control Security, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Impairment

The Company performs a review for potential impairment of long-lived assets whenever an event or change in circumstances indicates that the carrying value of an asset may not be recoverable.

Note 3 – Inventories

Inventories at September 30, 2021 and June 30, 2021 consisted of the following:

	<u>9/30/21</u>	<u>6/30/21</u>
Raw materials	\$ 426,032	\$ 424,755
Work-in-process	183,954	170,659
Finished goods	622,435	625,622
Total inventory	<u>\$1,232,421</u>	<u>\$1,221,036</u>

Note 4 – Stimulus Loans

A \$120,335 bank loan was received on April 2020. The loan was guaranteed by the U.S. Small Business Administration under the provisions of the CARES Act, which was enacted by the U.S. Congress during 2020. Under the provisions of the Act, the loan will be forgiven if during a 24 week period following the receipt of the loan proceeds the proceeds are used to pay salaries and certain permitted expenses. The Company submitted an application for forgiveness, and the entire loan was forgiven in December 2020.

The Company also received a stimulus loan in 2021 under the second round of the Payroll Protection Program. An application for forgiveness of that loan has been submitted; there has not yet been a response to that application.

The Company also received a \$150,000 SBA loan during April 2020. The loan bears interest at 3 ¾% and is due in 2025.

During the three month period ended September 30, 2021, the Company received a \$15,000 grant from the New Jersey Economic Development Authority. The grant is included in other income.

Electronic Control Security, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2021

Note 5 – Income Taxes

The Company experienced net operating losses (NOL's) in previous years. Such losses can be carried forward and deducted in any year in which the Company has taxable income. Under pronouncements of the FASB, recognition of deferred tax assets is permitted unless it is more likely than not that the assets will not be realized. The expected benefit of these NOL's has been recorded as a deferred tax asset.

Company income tax returns that are subject to audit by the Internal Revenue Service include those for the year ended June 30, 2017 and all subsequent years. State income tax returns that are subject to audit include those for the year ended June 30, 2016 and all subsequent years.

Note 6 – Property, Equipment and Software Development Costs

Property, equipment and software development costs at September 30, 2021 and June 30, 2021 consisted of the following:

	<u>09/30/2021</u>	<u>6/30/21</u>
Furniture and fixtures	\$ 62,039	\$ 62,039
Machinery and equipment	1,005,210	1,005,210
Improvements	40,258	40,258
Software	287,768	287,768
	<u>1,395,275</u>	<u>1,395,275</u>
Less: accumulated depreciation and amortization	<u>1,374,080</u>	<u>1,373,642</u>
Property, equipment, and software development costs - net	<u>\$ 21,195</u>	<u>\$ 21,633</u>

Depreciation expense was \$438 in the three month period ended September 30, 2021 and \$438 in the three month period ended September 30, 2020.

Electronic Control Security, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2021

Note 7 – Intangible assets – net

Intangible assets – net as of September 30, 2021 and June 30, 2021 consisted of the following:

	9/30/21	6/30/21
Licenses	\$ 50,000	\$ 50,000
Patents	852,793	852,793
Trademarks	577,263	577,263
Other	8,281	8,281
Software development cost	175,511	280,766
Total intangible assets	1,663,848	1,769,103
Less: accumulated amortization	1,264,821	1,245,884
Intangible assets - net	\$ 399,027	\$ 523,219

Amortization charged to operations was \$18,934 in the three month period ended September 30, 2021 and \$18,934 in the three month period ended September 30, 2020.

Note 8 – Supplementary Cash Flows Information

There was no cash paid for income taxes during the three month periods ended September 30, 2021 and 2020. Cash paid for interest during the three month period ended September 30, 2021 was \$22,685; it was \$23,418 during the three month period ended September 30, 2020.

An obligation to the Company president was partially cancelled during the three month period ended September 30, 2021 by the issuance of 62,000 shares of company common stock valued at \$29,815.

Electronic Control Security, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2021

Note 9– Subsequent Events

On November 2, 2021 an obligation under a bank line of credit which was due October 15, 2021, was extended. Under the terms of the extension agreement, interest will accrue at 6% and the loan will be due in monthly payments of \$3,285.

In accordance with SFAS 165, Company management reviewed all material events through the date of this report, and with the exception of the matters noted above, there were no material subsequent events to report.