

# 2025 ANNUAL REPORT



ELECTRONIC SYSTEMS TECHNOLOGY, INC.  
415 NORTH ROOSEVELT STREET, STE B1  
KENNEWICK, WA 99336

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**May 11, 2026**

Dear Shareholders,

2025 was an exciting yet challenging year for Electronic Systems Technology, Inc. We continued to experience strong demand from both existing and new customers while also navigating softer and more volatile market conditions experienced by several of our strategic OEM and integration partners. Our continued investment in inventory enabled us to successfully manage ongoing supply chain disruptions and maintain product availability for our customers.

Throughout 2025, our sales and marketing team maintained a focused strategy centered on key partners and integrators that have demonstrated a strong commitment to growing their wireless communications business. While industry trade shows remain an important part of our outreach efforts, we also increased direct customer engagement and our presence at sponsored events within markets that have historically relied on wireless communications technologies. We will continue to invest strategically in our sales organization while carefully managing expenses to improve profitability and expand market share.

Our research and development initiatives remained focused on enhancing our existing product and software offerings through improved performance, manufacturability, and customer-driven features. Looking ahead to 2026, we will continue evaluating emerging technologies that align with our commitment to delivering exceptional solutions to the Industrial Automation market. We remain dedicated to providing our customers with a distinctive combination of innovative wireless products and outstanding support.

On behalf of the Company and all our employees, I would like to sincerely thank you for your continued support and partnership.

A handwritten signature in black ink, appearing to read "Dan Tolley". The signature is fluid and cursive, with a large initial "D" and "T".

Daniel M. Tolley  
President & CEO

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**ELECTRONIC SYSTEMS TECHNOLOGY, INC.  
DBA ESTEEM WIRELESS MODEMS**

**UNAUDITED BALANCE SHEETS  
DECEMBER 31, 2025 AND 2024**

	<u>2025 Unaudited</u>	<u>2024 Unaudited</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 612,481	\$ 371,737
Certificates of deposit	-	-
Accounts receivable - net	105,971	52,280
Inventories - net	596,578	926,923
Prepaid expenses	38,176	19,316
Accrued interest receivable	274	---
<b>Total Current Assets</b>	<b>1,353,480</b>	<b>1,370,256</b>
<b>PROPERTY AND EQUIPMENT – NET</b>	<b>11,191</b>	<b>15,398</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,364,671</b>	<b>\$ 1,385,654</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 43,092	\$ 112,775
Accrued wages	956	1,169
Accrued vacation payable	19,099	21,593
Other accrued liabilities	7,825	450
<b>TOTAL LIABILITIES</b>	<b>70,972</b>	<b>135,988</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock - \$.001 par value 50,000,000 shares authorized, 4,946,502 and 4,946,502 shares issued and outstanding, respectively	4,947	4,947
Additional paid-in capital	933,105	933,105
Retained earnings	355,647	311,615
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>1,293,699</b>	<b>1,249,666</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,364,671</b>	<b>\$ 1,385,654</b>

See accompanying notes to the financial statements.

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.  
DBA ESTEEM WIRELESS MODEMS**

**UNAUDITED STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

	<b>2025 Unaudited</b>	<b>2024 Unaudited</b>
SALES – NET	\$ 1,436,629	\$ 1,173,645
COST OF SALES	<u>657,299</u>	<u>561,728</u>
GROSS PROFIT	<u>779,330</u>	<u>611,917</u>
OPERATING EXPENSES	<u>741,967</u>	<u>1,010,114</u>
OPERATING INCOME/(LOSS)	<u>37,363</u>	<u>(398,197)</u>
OTHER INCOME:		
Interest income	<u>6,670</u>	<u>20,605</u>
TOTAL OTHER INCOME	<u>6,670</u>	<u>20,605</u>
NET INCOME/(LOSS) BEFORE INCOME TAXES	44,033	(377,592)
INCOME TAX PROVISION (BENEFIT)	<u>—</u>	<u>—</u>
NET INCOME/(LOSS) AFTER INCOME TAXES	<u>\$ 44,033</u>	<u>\$ (377,592)</u>
NET INCOME/(LOSS) PER SHARE, BASIC AND DILUTED	<u>\$ 0.01</u>	<u>\$ (0.08)</u>
WEIGHTED AVERAGE SHARES OUTSTANDING, BASIC AND DILUTED	<u>4,946,502</u>	<u>4,946,502</u>

See accompanying notes to the financial statements.

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.  
DBA ESTEEM WIRELESS MODEMS**

**UNAUDITED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
BALANCE AT DECEMBER 31, 2023	4,946,502	\$ 4,947	\$ 933,105	\$ 689,206	\$ 1,627,258
Net Income/(Loss)	—	—	—	(377,592)	(377,592)
BALANCE AT DECEMBER 31, 2024	4,946,502	\$ 4,947	\$ 933,105	\$ 311,615	\$ 1,249,666
Net Income/(Loss)	—	—	—	44,033	44,033
BALANCE AT DECEMBER 31, 2025	4,946,502	\$ 4,947	\$ 933,105	\$ 355,648	\$ 1,293,699

See accompanying notes to the financial statements.

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.  
DBA ESTEEM WIRELESS MODEMS**

**UNAUDITED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

	<u>2025 Unaudited</u>	<u>2024 Unaudited</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income/(loss)	\$ 44,033	\$ (377,592)
Noncash expenses included in net income:		
Depreciation and amortization	4,208	4,161
Share based compensation	-	-
Changes in operating assets and liabilities:		
Accounts receivable	(53,692)	313
Inventories – net	330,345	(204,467)
Prepaid expenses	(18,860)	(38)
Accrued interest receivable	(274)	1,096
Accounts payable	(69,683)	75,420
Other accrued liabilities and wages	4,668	(12,104)
Net Cash provided/(used) by Operating Activities	<u>240,745</u>	<u>(513,211)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Certificates of deposits purchased	-	(1,100,000)
Certificates of deposits redeemed	-	1,500,000
Purchase of equipment	-	(1,304)
Net Cash provided (used) by Investing Activities	<u>-</u>	<u>398,696</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>240,745</b>	<b>(114,515)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>371,737</u></b>	<b><u>486,252</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 612,481</u></b>	<b><u>\$ 371,737</u></b>

See accompanying notes to the financial statements.

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2025 and 2024**

**1. Organization and Summary of Significant Accounting Policies**

Business Organization

The Company was incorporated under the laws of the State of Washington on February 10, 1984, primarily to develop, produce, sell and distribute wireless modems that will allow communication between peripherals via radio frequency waves.

Effective September 13, 2007, the Company announced their establishment of a “doing business as” or dba structure, based on the Company’s registered trade name of ESTeem® Wireless Modems.

Basis of Presentation and Accounting Estimates

The preparation of financial statements are prepared in conformity with generally accepted accounting principles in the United States which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates used in the accompanying financial statements include the allowance for doubtful accounts receivable, inventory obsolescence, useful lives of depreciable assets, share-based compensation, and deferred income taxes. Actual results could differ from those estimates.

Concentrations and Credit Risks

The Company places its cash with two major financial institutions. During the period, the Company had cash balances that were in excess of federally insured limits.

The Company purchases certain key components necessary for the production of its products from a limited number of suppliers. The components provided by the suppliers could be replaced or substituted by other products. It is possible that if this action became necessary, an interruption of production and/or material cost expenditures could take place.

Revenue Recognition

The Company recognizes revenue when it has satisfied the performance obligation required under a contract with the customer. A performance obligation is a promise in a contract with a customer to transfer a distinct good or service to the customer. Our contracts with customers contain a single performance obligation. A contract’s transaction price is recognized as revenue when, or as, the performance obligation is satisfied.

Performance obligations for product sales are satisfied as of a point in time. Revenue is recognized when control of the product transfers to the customer, generally upon product shipment. Performance obligations for site support and engineering services are satisfied over-time if the customer receives the benefits as we perform work and we have a contractual right to payment. Revenue recognized on an over-time basis is based on costs incurred to date relative to milestones and total estimated costs at completion to measure progress.

The Company considers the contractual consideration payable by the customer when determining the transaction price of each contract. Revenue is recorded net of charges for certain sales incentives and discounts, and applicable state and local sales taxes, which represent components of the transaction price. Charges are estimated by us upon shipment of the product based on contractual terms, and actual charges typically do not vary materially from our estimates. Shipping estimates are determined by utilizing shipping costs provided by the various service providers websites based on number of packages, weight and destination. Shipping costs are included in the cost of goods sold as the revenue is captured in total sales.

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2025 and 2024**

The Company receives payments from customers based on the terms established in our contracts. When amounts are billed and collected before the services are performed, they are included in deferred revenues. The Company does not generally sell its products with the right of return. Therefore, returns are accounted for when they occur and are accepted. Products sold to foreign customers are shipped after payment is received in U.S. funds, unless an established distributor relationship exists, or the customer is a foreign branch of a U.S. company.

The Company warrants its products free of manufacturing defects and provides a refund of the purchase price, repair or replacement of the product for a period of one year from the date of installation by the first user/customer. No allowance for estimated warranty repairs or product returns has been recorded due to the Company's historical experience of repairs and product returns.

Financial Instruments

The Company's financial instruments are cash, cash equivalents, and certificates of deposit. The recorded values of cash, and certificates of deposit approximate their fair values based on their short-term nature.

Cash and Cash Equivalents

Cash and cash equivalents are cash and certificates of deposit purchased with original maturities of three months or less.

Inventories

Inventories are stated at lower of direct cost or market. Cost is determined on an average cost basis that approximates the first-in, first-out (FIFO) method. Market is determined based on net realizable value and consideration is given to obsolescence.

Property and Equipment

Property and equipment are carried at cost. Major betterments are capitalized and de minimis purchases are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful life of property and equipment for purposes of computing depreciation is three to seven years. When the Company sells or otherwise disposes of property and equipment, a gain or loss is recorded in the statement of operations. The cost of improvements that extend the life of property and equipment is capitalized. The Company periodically reviews its long-lived assets for impairment and, upon indication that the carrying value of such assets may not be recoverable, recognizes an impairment loss by a charge against current operations.

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2025 and 2024**

Certificates of Deposit

Certificates of deposit with original maturities ranging from one month to twelve months were \$200,000 and nil at December 31, 2025 and 2024, respectively.

Leases

Contracts that meet the definition of a lease are classified as operating or financing leases and are recorded on the balance sheet as both a right-of-use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term. Variable lease expenses are recorded when incurred.

Income Taxes

The provision (benefit) for income taxes is computed on the pretax income (loss) based on the current tax law. Deferred income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates. The Company evaluates positive and negative information when estimating the valuation allowance for deferred tax assets. For tax positions that meet the more likely than not recognition threshold a deferred tax asset is recognized.

Research and Development

Research and development, and sustaining engineering costs are recognized as operating expenses when incurred. Research and development expenditures for new product development and improvements of existing products by the Company for 2025 and 2024 were \$109,925 and \$119,462, respectively.

Advertising Costs

Costs incurred for producing and communicating advertising are recognized as operating expenses when incurred. Advertising costs for the years ended December 31, 2025 and 2024 were \$10,798 and \$17,745, respectively.

Earnings Per Share

The Company is required to have dual presentation of basic earnings per share ("EPS") and diluted EPS. Basic EPS is computed as net income (loss) divided by the weighted average number of common shares outstanding for the period. Diluted EPS is calculated based on the weighted average number of common shares outstanding during the period plus the effect of potentially dilutive common stock equivalents.

Potentially dilutive common stock equivalents consist of 50,000 and 225,000 stock options outstanding as of December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, the potentially dilutive stock options were not included in the calculation of the diluted weighted average number of shares outstanding or diluted EPS as their effect would have been anti-dilutive.

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2025 and 2024**

**2. Inventories**

Inventories consist of the following:

	<b>2025</b>	<b>2024</b>
	<b>Unaudited</b>	<b>Unaudited</b>
Parts	\$ 78,217	\$ 98,478
Work in progress	397,863	552,136
Finished goods	120,498	276,309
	<u>\$ 596,578</u>	<u>\$ 926,923</u>

Included in the above amounts are reserves for obsolete inventories of \$6,436 and \$6,050 at December 31, 2025 and 2024, respectively.

**3. Property and Equipment**

Property and equipment consist of the following at December 31, 2025 and 2024:

	<b>2025</b>	<b>2024</b>
	<b>Unaudited</b>	<b>Unaudited</b>
Laboratory equipment	\$ 555,645	\$ 555,645
Software	18,245	18,245
Furniture and fixtures	15,262	15,262
Dies and molds	73,607	73,607
	<u>662,758</u>	<u>662,758</u>
Accumulated depreciation and amortization	(651,567)	(647,360)
	<u>\$ 11,191</u>	<u>\$ 15,398</u>

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2025 and 2024**

**4. Profit Sharing Salary Deferral 401-K Plan**

The Company sponsors a Profit-Sharing Plan and Salary Deferral 401-K Plan and Trust. All employees over the age of twenty-one are eligible. On January 1, 2006, the Company adopted a four percent salary matching provision. The Company contributed \$18,326 and \$21,178 to the plan for the years ended December 31, 2025 and 2024, respectively.

**5. Employee Bonus Program**

The Board of Directors establishes sales and net income thresholds at the start of each year that are used in calculating the amount of bonuses that may be awarded. If these thresholds are not achieved, there will be no bonus issued. Bonus expenses of nil and nil were recognized during the years ended December 31, 2025 and 2024, respectively. At December 31, 2025 and 2024, accrued wages on the balance sheet includes nil and nil, respectively, for accrued bonus payable.

**6. Share-Based Compensation**

The Company grants stock options to individual employees and directors. After termination of employment, stock options may be exercised within ninety days, after which they are subject to forfeiture. On June 9, 2023, the Board of Directors granted 45,000 options to employees. The new options have an exercise price of \$0.40, a term of 5 years, and vested immediately. The fair value of the options was determined using the Black-Scholes model using the following variables: stock price of \$0.24, volatility of 104.1%, expected term of 5 years with a forfeiture rate of 95%, and a discount factor of 3.92%.

In the years ended December 31, 2025 and 2024, the Company recognized nil and nil respectively, in share-based compensation expense. No non-vested share-based compensation arrangements existed as of December 31, 2025 and 2024.

A summary of option activity follows:

	<b>Number Outstanding</b>	<b>Weighted Average Exercise Price Per Option</b>	<b>Weighted Average Remaining Contractual Term (Years)</b>
Balance at December 31, 2023	180,000	0.40	
Granted	45,000	0.40	
Balance at December 31, 2024	225,000	\$ 0.40	
Expired	(175,000)	0.40	
Balance at December 31, 2025	<u>50,000</u>	<u>\$ 0.40</u>	<u>1.9</u>
Outstanding and Exercisable at December 31, 2024	<u>50,000</u>	<u>\$ 0.40</u>	<u>1.9</u>

The aggregate intrinsic value of the options outstanding and exercisable at December 31, 2025 was nil.

**ELECTRONIC SYSTEMS TECHNOLOGY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2025 and 2024**

**7. Leases**

On September 24, 2024, the Company signed a lease for its facilities. The base lease is \$4,044 month. There is a leasehold tax applied to the base lease at 12.84%. The Company has the right to terminate the lease with 90 days' notice. There is no renewal clause contained in the current lease.

Prior to the new lease on October 1, 2024, the Company's lease for its facilities was \$3,806 per month.

For the years ended December 31, 2025 and 2024, costs relating to the operating lease were recognized in the statement of operations as follows:

	2025 Unaudited			2024 Unaudited		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Base rent pursuant to lease agreement	\$ 24,064	\$ 18,939	\$ 43,003	\$ 23,267	\$ 18,813	\$ 41,580
Variable lease costs	3,090	2,432	5,522	3,014	2,372	5,386
Total lease costs	<u>\$ 27,154</u>	<u>\$ 21,371</u>	<u>\$ 46,525</u>	<u>\$ 26,281</u>	<u>\$ 20,685</u>	<u>\$ 46,966</u>

**8. Revenue**

The Company derives revenues from the sales of industrial wireless products and accessories such as antennas, power supplies and cable assemblies. The Company also provides direct site support and engineering services to customers, such as repair and upgrade of its products. The Company's customers, to which trade credit terms are extended, consist of United States and local governments and foreign and domestic companies.

	For the years ending December 31,					
	2025 Unaudited			2024 Unaudited		
	Domestic Sales	Foreign Sales	Total Sales	Domestic Sales	Foreign Sales	Total Sales
Product Sales	\$1,269,526	\$124,753	\$1,394,279	\$961,025	\$173,319	\$1,134,345
Site Support Sales	42,350	-	42,350	32,200	7,100	39,300
Total Sales	<u>\$1,311,876</u>	<u>\$124,753</u>	<u>\$1,436,529</u>	<u>\$993,225</u>	<u>\$180,419</u>	<u>\$1,173,645</u>

For the year ended December 31, 2025 and 2024, there were no customers that had sales that are more than 10% of total revenue.

As of December 31, 2025 and 2024, the Company had a sales order backlog of \$17,741 and nil, respectively.

## Supplemental Information

### ELECTRONIC SYSTEMS TECHNOLOGY, INC. DBA ESTEEM WIRELESS MODEMS

#### UNAUDITED SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u> <u>Unaudited</u>	<u>2024</u> <u>Unaudited</u>
Advertising	\$ 10,798	\$ 17,745
Dues and subscriptions	818	800
Depreciation and amortization	4,208	4,161
Insurance	19,035	13,019
Materials and supplies	1,299	6,512
Office and administration	19,303	5,117
Printing	-	2,557
Professional services	51,281	112,237
Bad Debt Expense	(7,198)	—
Rent and utilities	54,564	52,329
Repair and maintenance	-	-
Salaries and benefits	601,635	733,211
Taxes, licenses & health insurance	159,265	188,906
Telephone	3,378	3,120
Warranty expense	3,223	1,552
Trade shows	1,000	15,689
Travel expenses	3,435	24,626
	926,044	1,181,581
Expenses allocated to cost of sales	(184,077)	(171,467)
Total Operating Expenses	<u>\$ 741,967</u>	<u>\$ 1,010,114</u>

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## **ELECTRONIC SYSTEMS TECHNOLOGY**

### **2025 ANNUAL REPORT**

### **CORPORATE DIRECTORY**

#### **DIRECTORS**

Daniel M. Tolley  
President  
Electronic Systems Technology, Inc

Michael W. Eller  
CFO  
Electronic Systems Technology, Inc

Vern D. Kornelsen  
General Partner  
EDCO Partners LLLP

Wayne Willkomm  
CEO/President  
Lifeloc Technologies, Inc.

Donald E. Siecke  
President, Kelmore Development Corp

#### **Transfer Agent**

EQ Shareowner Services  
1110 Centre Point Curve, Suite 101  
Mendota Heights, MN, 5120

The Transfer Agent should be contacted for questions regarding changes in address, name, or ownership, lost certificates, and consolidation of accounts. When corresponding with the Transfer Agent, shareholders should state the exact name(s) in which the stock is registered and certificate number of the certificate(s).

### **CORPORATE AND INVESTOR INFORMATION**

#### **EXECUTIVE OFFICERS**

Daniel M. Tolley  
President  
Chief Executive Officer

Michael W. Eller  
Chief Financial Officer  
Principal Accounting Officer

Vern D. Kornelsen  
Secretary

Please direct inquiries to:  
Investor Relations Department  
Electronic Systems Technology, Inc.  
415 N. Roosevelt Street, STE. B1  
Kennewick, Washington 99336

#### **CORPORATE HEADQUARTERS**

Electronic Systems Technology, Inc  
415 N. Roosevelt Street, STE B1  
Kennewick, Washington 99336  
(509) 735-9092