ONLINE VACATION CENTER HOLDINGS CORP.

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

ONLINE VACATION CENTER HOLDINGS CORP.
Fort Lauderdale, Florida

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CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Online Vacation Center Holdings Corp.
Fort Lauderdale, Florida

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Online Vacation Center Holdings Corp., which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Online Vacation Center Holdings Corp. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, in 2017, the Company adopted new accounting guidance related to the presentation of deferred tax assets and liabilities. Our opinion is not modified with respect to this matter.

Crowe Horwath LLP

Crowe Horwath LLP

Miami, Florida
March 22, 2018

ONLINE VACATION CENTER HOLDINGS CORP.

CONSOLIDATED BALANCE SHEETS

December 31, 2017 and 2016

		2017	2016
ASSETS			
Current assets			
Cash and cash equivalents		$ 6,976,701	$ 7,988,482
Marketable securities		1,041,446	-
Accounts receivable, net		1,681,957	1,531,504
Deposits and prepaid items		3,203,129	3,371,191
Total current assets		12,903,233	12,891,177
Restricted cash		342,524	342,208
Deferred tax asset, net		25,987	442,720
Property and equipment, net		628,691	743,640
Intangible assets, net		853,009	900,804
Goodwill		64,526	64,526
Total assets		$ 14,817,970	$ 15,385,075
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ 6,671,491	$ 7,259,052
Deferred revenue		3,143,107	3,054,446
Deferred rent		61,789	50,168
Total current liabilities		9,876,387	10,363,666
Deferred rent		601,635	744,847
Total liabilities		10,478,022	11,108,513
Commitments and contingencies – Note 15			
Stockholders’ equity			
Preferred stock; 1,000,000 shares authorized at $.0001 par value; 0 shares issued and outstanding		-	-
Common stock; 80,000,000 shares authorized at $.0001 par value; 11,261,878 shares issued and outstanding as of December 31, 2017 and 2016		1,126	1,126
Additional paid-in capital		2,150,667	2,150,667
Accumulated other comprehensive income		43,272	-
Retained earnings		2,144,883	2,124,769
Total stockholders' equity		4,339,948	4,276,562
Total liabilities and stockholders' equity		$ 14,817,970	$ 15,385,075

See accompanying notes to consolidated financial statements.

ONLINE VACATION CENTER HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2017 and 2016

	2017	2016
Net revenues	$ 16,403,031	$ 16,081,877
Operating expenses		
Selling and marketing	5,950,155	5,465,109
General and administrative	8,877,850	8,268,810
Depreciation and amortization	737,918	737,458
Operating income	837,108	1,610,500
Other income, net	1,988	2,088
Income before provision for income taxes	839,096	1,612,588
Provision for income taxes	368,507	661,027
Net Income	470,589	951,561
Earnings per share – basic and diluted	$ 0.042	$ 0.084
Weighted average shares outstanding – basic and diluted	11,261,878	11,334,376
Other comprehensive income		
Unrealized gain on available-for-sale securities, net of tax	43,272	-
Other comprehensive income	43,272	-
Comprehensive Income	$ 513,861	$ 951,561

See accompanying notes to consolidated financial statements.

ONLINE VACATION CENTER HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2017 and 2016

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total
Balance, January 1, 2016	11,421,878	$ 1,142	$ 2,262,651	$ -	$1,511,064	$ -	$ 3,774,857
Acquisition of treasury stock at cost	-	-	-	-	-	(112,000)	(112,000)
Retirement of treasury stock	(160,000)	(16)	(111,984)	-	-	112,000	-
Dividend	-	-	-	-	(337,856)	-	(337,856)
Net income	-	-	-	-	951,561	-	951,561
Balance, December 31, 2016	11,261,878	1,126	2,150,667	-	2,124,769	-	4,276,562
Dividend	-	-	-	-	(450,475)	-	(450,475)
Unrealized gain on available-for-sale securities, net of tax	-	-	-	43,272	-	-	43,272
Net income	-	-	-	-	470,589	-	470,589
Balance, December 31, 2017	11,261,878	$ 1,126	$ 2,150,667	$ 43,272	$ 2,144,883	$ -	$ 4,339,948

See accompanying notes to consolidated financial statements.

ONLINE VACATION CENTER HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Net income	$ 470,589	$ 951,561
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	737,918	737,458
Deferred income tax provision (benefit)	402,043	(184,988)
Changes in operating assets and liabilities		
Increase in accounts receivable	(150,453)	(457,129)
Decrease / increase in deposits and prepaid items	168,062	(99,867)
Decrease / increase in accounts payable and accrued liabilities	(587,561)	1,054,860
Increase in deferred revenue	88,661	288,040
Decrease in deferred rent	(131,591)	(8,825)
Net cash provided by operating activities	997,668	2,281,110
Cash flows from investing activities;		
Capital expenditures	(101,215)	(47,607)
Acquisition of intangible assets	(473,959)	(485,310)
Purchases of marketable securities	(1,058,004)	-
Sales of marketable securities	74,520	-
Increase in restricted cash	(316)	(420)
Net cash used in investing activities	(1,558,974)	(533,337)
Cash flows from financing activities		
Repurchase of common stock	-	(112,000)
Dividend payment	(450,475)	(337,856)
Net cash used in financing activities	(450,475)	(449,856)
Net change in cash and cash equivalents	(1,011,781)	1,297,917
Beginning cash and cash equivalents	7,988,482	6,690,565
Ending cash and cash equivalents	$ 6,976,701	$ 7,988,482
Supplemental cash flow information		
Cash paid for taxes	$ 270,015	$ 1,120,167
Retirement of treasury stock	$ -	$ 112,000

See accompanying notes to consolidated financial statements.

NOTE 1 – BACKGROUND

Overview: Online Vacation Center Holdings Corp. (the "Company") is a Florida holding company, focused on internally growing and developing its group of diversified vacation marketers with a range of products that can be cross-sold to an extensive database.

The Company provides vacation travel and marketing services through its wholly-owned subsidiaries. Its portfolio of travel companies include:

Online Vacation Center, Inc., a full service vacation seller focused on serving the affluent retiree market.

Enrichment Journeys, LLC, a developer and seller of unique river, ocean, and land vacation packages.

Dunhill Vacations, Inc., ("Dunhill") the publisher of three travel newsletters, "Top Travel Deals", "Spotlight", and "TravelFlash".

Luxury Link, LLC, a website connecting travelers with websites to purchase hotel, resort, and vacation experiences.

Home Based Travel Experts, LLC, an Expedia CruiseShipCenters franchise focused on travel sales through a team of mobile agents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of Online Vacation Center Holdings Corp. and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated. The Company makes operating decisions, assesses performance and manages the business as one reportable segment.

Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("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 consolidated financial statements. These estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting periods. Management evaluates these estimates and assumptions on a regular basis. Actual results could differ from those estimates.

Revenue Recognition: The Company recognizes revenue when it is realized or realizable and earned when all of the following criteria are met: persuasive evidence of an arrangement exists, services have been rendered, the seller's price to the buyer is fixed or determinable, and collectability is reasonably assured. Vacation travel sales transactions are billed to customers at the time of booking; however, commission revenue is not recognized in the accompanying consolidated financial statements until the customers' travel occurs. Advertising revenue is recognized upon distribution of the marketing publication. Override (volume incentive) revenue is recognized when the agreed-upon goal is achieved as specified in the override agreement.

After considering and weighing relevant qualitative factors regarding the Company's status as a primary obligor, the extent of the pricing latitude of the Company's vacation travel sales transactions and in accordance with the prescribed GAAP gross vs. net indicators, the Company's vacation travel suppliers assume the majority of the business risks such as providing the service and the risk of unsold travel packages. As such, all vacation travel sales transactions are recorded at the net amount, which is the amount charged to the customer less the amount to be paid to the supplier. The Company frequently reviews its product offerings to determine whether the vacation package falls into gross revenue reporting. The method of net revenue presentation does not impact operating income, net income, earnings per share or cash flows.

Risks and Concentrations: The Company's business is subject to certain risks and concentrations, including dependence on relationships with travel suppliers (primarily cruise lines), and to a lesser extent, exposure to risks associated with online commerce security and credit card fraud. The Company is highly dependent on its relationships with five major cruise lines: Celebrity Cruises, Norwegian Cruise Line, Royal Caribbean Cruise Line, Oceania Cruises and Viking River Cruises. The Company also depends on third party service providers for processing certain fulfillment services.

Concentrations of credit risk with respect to client accounts receivable are limited because of the Company's policy to require deposits from customers, the number of customers comprising the client base and their dispersion across geographical locations.

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and bank certificates of deposit. These accounts are maintained with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) for balances up to $250,000. At December 31, 2017 and 2016, the Company had cash deposits of $5,430,423 and $6,708,478, respectively, that exceeded the federally insured limit of $250,000. The Company believes that no significant concentration of credit risk exists with respect to these cash balances because of its assessment of the creditworthiness and financial viability of the financial institutions.

Marketing Costs: Substantially all marketing costs are charged to expense as incurred and principally represent production, printing, direct mail costs, and online advertising. Marketing expense for the years ended December 31, 2017 and 2016 was $2,896,464 and $2,743,423, respectively.

Cash and Cash Equivalents: The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents included cash in the bank, cash on hand and highly liquid investments.

Accounts Receivable: Accounts receivable is stated at the amounts invoiced to suppliers, commissions earned on travel that has commenced, or override income that has been earned, less an allowance for doubtful accounts. Travel suppliers generally pay commissions between 60 days before to 90 days after travel has commenced, overrides in the first quarter following the period earned, and marketing and advertising invoices between 30 days to 90 days after the invoice date. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the specific supplier's current ability to pay its obligation to the Company and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are recognized as revenue in the period received. At December 31, 2017 and 2016, the allowance for doubtful accounts was $26,605.

Restricted Cash: Cash which is restricted as to withdrawal is considered a noncurrent asset. At December 31, 2017 and 2016, certificates of deposit of $342,524 and $342,208, respectively, are collateral for outstanding letters of credit. The letters of credit are required by the Company's landlord, a supplier and industry regulations and will be renewed upon expiration.

Property and Equipment: Property and equipment are recorded at cost. Repairs and maintenance and any gains or losses on dispositions are recognized as incurred. Depreciation is provided for on a straight-line basis to allocate the cost of depreciable assets to operations over their estimated service lives. Leasehold improvements are amortized over the term of the lease or the useful life of the improvement, whichever is shorter.

Asset Category	Depreciation Period
Office equipment	1 to 5 Years
Furniture and fixtures	5 to 8 Years
Leasehold Improvements	8 Years

Goodwill: Goodwill represents the excess of the purchase price over the fair value assigned to net tangible and identifiable intangible assets of businesses acquired and accounted for under the acquisition method. Goodwill acquired in business combinations is assigned to reporting units that are expected to benefit from the synergies of the combination as of the acquisition date. The Company assesses goodwill for impairment annually during the fourth quarter, or more frequently if events and circumstances indicate impairment may have occurred. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, the Company records an impairment loss equal to the difference.

Long-Lived Assets: The Company's accounting policy regarding the assessment of the recoverability of the carrying value of long-lived assets, including property and equipment and assets with finite lives, is to review the carrying value of the assets, annually, during the fourth quarter, or whenever events or changes in circumstances indicate that they may be impaired. If this review indicates that the carrying value will not be recoverable, as determined based on the projected undiscounted future cash flows, the carrying value is reduced to its estimated fair value. No impairment occurred in 2017 and 2016.

Deferred Rent: Deferred rent represents the difference between actual rental payments and the amount of such payments recognized on a straight-line basis over the terms of the operating leases, as well as landlord incentives that are deferred and amortized on a straight-line basis, over the operating lease terms.

Income Taxes: The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences and carryforwards are expected to be recovered or settled.

The Company applies the guidance issued by the Financial Accounting Standards Board (the “FASB”) with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

The Company files income tax returns in the U.S. federal jurisdiction and various states. It is subject to U.S. federal and certain state tax examinations for years after 2013. To the Company’s knowledge, none of its federal or state income tax returns are currently under examination.

The Company’s policy is to account for interest and penalties in income tax expense. There was $4,069 and $0 in interest and $0 and $77 in penalties during the years ended December 31, 2017 and 2016, respectively.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Act”). In response, the Securities and Exchange Commission (“SEC”) staff issued Staff Accounting Bulletin (“SAB”) 118, which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Act’s enactment date for companies to complete the accounting under

Accounting Standards Codification ("ASC") 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Act for which the accounting under ASC 740 is complete.

Earnings Per Share: Basic earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if stock options and other commitments to issue common stock were exercised or equity awards vested resulting in the issuance of common stock or the conversion of notes into shares of common stock that could share in the earnings of the Company. The diluted earnings per share calculation is not done for periods in a loss position as this would be antidilutive.

Recent Accounting Pronouncements: In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers". ASU 2014-09, as amended by subsequent ASUs on the topic, establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. This standard, which is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2017, requires an entity to 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 and also requires certain additional disclosures. The Company adopted this standard effective January 1, 2018 using the modified retrospective approach, which requires applying the new standard to all existing contracts not yet completed as of the effective date and recording a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The Company has completed its evaluation of the standard's impact on its revenue streams. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes—Balance Sheet Classification of Deferred Taxes." ASU 2015-17 simplifies the presentation of deferred taxes. The new guidance required that deferred tax liabilities and assets be classified as noncurrent on the balance sheet, as opposed to being presented as current or non-current. This standard was effective for annual periods beginning after December 15, 2016 and was adopted retrospectively as of the earliest period presented.

The impact on each line item and subtotal/total that changed on the consolidated balance sheet as of December 31, 2016 is as follows:

	Before Adoption	Adjustment	After Adoption
Deferred tax asset, current	$ 482,099	$ (482,099)	$ -
Total current assets	$ 13,373,276	$ (482,099)	$ 12,891,177
Deferred tax asset, noncurrent	$ -	$ 442,720	$ 442,720
Total assets	$ 15,424,454	$ (39,379)	$ 15,385,075
Deferred tax liability, current	$ -	$ -	$ -
Total current liabilities	$ 10,363,666	$ -	$ 10,363,666
Deferred tax liability, noncurrent	$ 39,379	$ (39,379)	$ -
Total liabilities	$ 11,147,892	$ (39,379)	$ 11,108,513

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities". ASU 2016-01 impacts the accounting for equity investments and the recognition of changes in fair value of financial liabilities when the fair value option is elected. This standard will be effective for the Company during the first quarter of 2018. The

Company is currently in the process of evaluating the impact of adoption of this standard on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, “Statement of Cash Flows: Restricted Cash”. ASU 2016-18 requires companies to show the change in the total cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. The update is effective for the Company beginning January 1, 2018 and will be applied retrospectively to all periods presented. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial statements.

NOTE 3 – FAIR VALUE MEASUREMENT

The Fair Value Measurement Topic of the FASB ASC defines fair value, establishes a framework for measuring fair value under GAAP and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The Fair Value Measurement Topic describes a fair value hierarchy based on the following three levels of inputs that may be used to measure fair value, of which the first two are considered observable and the last unobservable:

Level 1 – Quoted prices in active markets for identical assets or liabilities.
Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company determines the fair value of its investment portfolio assets by obtaining non-binding market prices from its third-party portfolio managers on the last day of the quarter, whose sources may use quoted prices in active markets for identical assets (Level 1 inputs) or inputs other than quoted prices that are observable either directly or indirectly (Level 2 inputs) in determining fair value. There were no transfers between Level 1, Level 2, or Level 3 measurements for the years ended December 31, 2017 and 2016.

The following table represents the Company’s fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 and 2016:

Fair Value Measurements as of December 31, 2017 Using

	Level 1	Level 2	Level 3	Total
Assets:				
Equities	$ 1,041,446	$ -	$ -	$ 1,041,446

Fair Value Measurements as of December 31, 2016 Using

	Level 1	Level 2	Level 3	Total
Assets:				
Equities	$ -	$ -	$ -	$ -

NOTE 4 – MARKETABLE SECURITIES

The Company determines the appropriate classification of its investments in debt and equity securities at the time of purchase and re-evaluates such determinations at each balance sheet date. Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, which approximates the fair value of these investments. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available-for-sale. Debt and marketable equity securities not classified as held-to-maturity or as trading are classified as available-for-sale, and are carried at fair value, with the unrealized gains and losses, net of tax, included in the determination of other comprehensive income and reported in stockholders' equity. As of December 31, 2017, all of the Company's marketable securities were classified as short-term, available-for-sale. Marketable securities are recorded as either short-term or long-term on the consolidated balance sheet. Declines in fair value below the Company's carrying value deemed to be other than temporary are charged against net earnings. The Company did not have marketable securities as of December 31, 2016.

Available-for-sale securities consisted of the following as of December 31, 2017:

	Amortized Cost	**Gains in Accumulated Other Comprehensive Income**	**Estimated Fair Value**
Current:			
Equities	$ 983,484	$ 57,962	$ 1,041,446
Total available-for-sale securities	$ 983,484	$ 57,962	$ 1,041,446

Realized gains and losses on sales of investments are determined using the specific identification method. For the year ended December 31, 2017, gross realized gains were $2,680 and gross realized losses were $3,640. Proceeds from the sale of available-for-sale securities were $74,520. Realized gains and losses are included in other income, net in the consolidated statements of comprehensive Income.

NOTE 5 – DEPOSITS AND PREPAID ITEMS

Deposits and prepaid items consist of the following:

	December 31, 2017	December 31, 2016
Prepaid expenses	$ 2,735,943	$ 2,908,088
Prepaid commissions and employee advances	22,118	33,340
Refundable deposits with suppliers	445,068	429,763
Deposits and prepaid items	$ 3,203,129	$ 3,371,191

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	December 31, 2017	December 31, 2016
Office equipment	$ 571,566	$ 541,736
Furniture and fixtures	349,156	326,021
Leasehold improvements	810,054	810,054
	1,730,776	1,677,811
Less: Accumulated depreciation	(1,102,085)	(934,171)
Property and equipment, net	$ 628,691	$ 743,640

Depreciation expense for the years ended December 31, 2017 and 2016 was $216,164 and $205,557, respectively.

NOTE 7 – INTANGIBLE ASSETS, NET

Intangible assets other than goodwill are capitalized at their respective fair values and are amortized over their estimated useful lives ranging from four to fifteen years.

The Company conducted annual tests for impairment during the fourth quarters of 2017 and 2016. The results of the impairment tests indicated that the intangibles were not impaired.

Intangible assets consist of the following:

	December 31, 2017	December 31, 2016
Customer lists	$ 5,518,801	$ 5,044,842
Trade names	201,307	201,307
Franchise fee	8,939	8,939
	5,729,047	5,255,088
Less: Accumulated amortization	(4,876,038)	(4,354,284)
Intangible assets, net	$ 853,009	$ 900,804

Amortization expense for the years ended December 31, 2017 and 2016 was $521,754 and $531,901, respectively. The estimated aggregate amortization expense for the next five years is as follows:

Year	Estimated Annual Amortization Expense
2018	$ 415,979
2019	$ 253,501
2020	$ 143,754
2021	$ 39,775

NOTE 8 – GOODWILL

The Company recorded goodwill in conjunction with its acquisition of Dunhill and assets of Smart Traveler LLC in 2007. During the fourth quarter of 2010, the Company tested the carrying value of goodwill for impairment and determined that the goodwill related to the Smart Traveler LLC acquisition was impaired and it was written off. During the fourth quarters of 2017 and 2016, the Company tested the carrying value of the Dunhill goodwill for impairment. The results of the tests indicated that the carrying value of the goodwill was not impaired. At December 31, 2017 and 2016, the carrying amount of goodwill was $64,526.

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	December 31, 2017	December 31, 2016
Customer deposits	$ 5,196,898	$ 5,235,675
Accrued compensation	941,286	1,448,089
Other accrued expenses	146,052	198,819
Accounts payable	387,255	376,469
Total	$ 6,671,491	$ 7,259,052

NOTE 10 – DEFERRED REVENUE

Deferred revenue consists of sales commissions received from vacation travel suppliers net of cancellations, administrative fees received from passengers in advance of passenger travel dates and amounts invoiced for publishing advertising to be contained in future publications. The advance sales commissions, administrative fees and publishing advertising revenue are considered unearned revenue and recorded as deferred revenue in the accompanying consolidated balance sheets. Deferred revenue is recognized in net revenues in the accompanying consolidated statements of comprehensive income when the passenger travel occurs or the publication is distributed. At December 31, 2017 and December 31, 2016, deferred revenue was $3,143,107 and $3,054,446, respectively.

NOTE 11 - INCOME TAXES

The provision for income taxes for the years ended December 31, 2017 and 2016 consists of the following:

	December 31, 2017	December 31, 2016
Current		
Federal	$ (38,236)	$ 722,361
State	4,700	123,654
	(33,536)	846,015
Deferred		
Federal	314,798	(157,950)
State	87,245	(27,038)
	402,043	(184,988)
Provision for income taxes, net	$ 368,507	$ 661,027

The difference between income tax expense computed by applying the federal statutory corporate tax rate and actual income tax expense is as follows:

	December 31, 2017	December 31, 2016
Statutory federal income tax rate	34.0%	34.0%
State income taxes	7.2	4.0
Tax effect of non-deductible items	0.6	1.4
Other	2.1	1.6
Effective tax rate	43.9%	41.0%

For the year ended December 31, 2017, the effective tax rate exceeded the statutory rate primarily as a result of the write down of the deferred tax asset to the new corporate tax rate as well as higher state income taxes. For the year ended December 31, 2016, the effective tax rate exceeded the statutory rate primarily as a result of $59,751 related to nondeductible items for tax purposes. Other includes tax rate differentials and the true-up of permanent tax differences from prior periods.

Deferred income taxes result from temporary differences in the recognition of income and expenses for financial reporting purposes and for tax purposes. The tax effect of these temporary differences representing deferred tax asset and liabilities result principally from the following:

	December 31, 2017	December 31, 2016
Capitalized list costs	$ (197,090)	$ (291,063)
Federal property and equipment basis difference	81,965	108,930
State property and equipment basis difference	15,550	19,185
Amortization	79,997	123,569
Unrealized amounts in other comprehensive income	(14,690)	-
Accruals and other	60,255	482,099
Net deferred income tax asset	$ 25,987	$ 442,720

On December 22, 2017, the U.S. President signed the Tax Cuts and Jobs Act into law. Effective January 1, 2018, among other changes, the Act (1) reduces the U.S. federal corporate tax rate from 35 percent to 21 percent, (2) changes the rules relating to net operating loss carryforwards and carrybacks, (3) eliminates the corporate alternative minimum tax ("AMT") and changes how existing AMT credits can be realized; and (4) requires companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries. The impact on the Company's consolidated financial statements for the period ended December 31, 2017 is immaterial.

The SEC staff issued SAB 118, which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. The Tax Act did not have a material impact on the Company’s consolidated financial statements.

NOTE 12 - OTHER COMPREHENSIVE INCOME

Other comprehensive income represents a measure of all changes in equity that result from recognized transactions and other economic events other than those resulting from investments by and distributions to shareholders. Other comprehensive income for the Company includes unrealized gains on available- for-sale securities.

The following table presents the tax expense allocated to each component of other comprehensive income:

Year Ended December 31, 2017

	Before Tax	Tax Expense	Net of Tax
Unrealized gains on available-for-sale investments	$ 57,962	$ (14,690)	$ 43,272
Other comprehensive income (loss)	$ 57,962	$ (14,690)	$ 43,272

NOTE 13 - EARNINGS PER SHARE

As of December 31, 2017 and 2016, there were no stock options or stock awards that would have been included in the computation of diluted earnings per share that could potentially dilute basic earnings per share in the future.

NOTE 14 – TREASURY STOCK

The Company entered into an agreement and purchased 160,000 shares of its common stock at an aggregate cost of $112,000 from one shareholder of the Company during the year ended December 31, 2016.

No treasury stock was held by the Company as of December 31, 2017 and 2016.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The Company has entered into a lease which commenced in March 2014 and terminates in February 2022 for approximately 17,000 square feet of corporate office space in Fort Lauderdale, Florida. Rent expense for the years ended December 31, 2017 and 2016 was $427,022 and $413,396, respectively. Total minimum lease payments going forward, which include an estimated proportionate share of building operating expenses, are:

Year	
2018	$ 478,737
2019	484,204
2020	491,463
2021	498,904
2022	83,358
	$ 2,036,666

On March 16, 2006, the Company entered into an executive employment agreement with its Chairman and Chief Executive Officer. The Company paid an initial annual base salary of $300,000, payable bi-weekly. The base salary is subject to annual automatic incremental increases of the greater of the percentage increase in the consumer price index or 6% of the previous year's base salary.

During the course of business, the Company enters into immaterial contracts for information technology services, internet, telephone and other related expenses.

The Company participates in a 401 (k) plan managed by a 401(k) administrator. Contributions to the plan are at the discretion of the Company's Board of Directors. No contributions were approved during the years ended December 31, 2017 and 2016.

The Company is involved from time to time in various legal claims and actions arising in the ordinary course of business. While from time to time claims are asserted that may make demands for sums of money, the Company does not believe that the resolution of any of these matters, either individually or in the aggregate, will materially affect its financial position, cash flows or the results of its operations.

NOTE 16 – QUARTERLY FINANCIAL DATA (UNAUDITED)

Select quarterly financial information is presented in the tables below for the quarterly periods of 2017 and 2016:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
For the year ended December 31, 2017:				
Net revenues	$ 3,910,674	$ 4,258,906	$ 3,287,674	$ 4,945,777
Operating income/(loss)	$ (91,082)	$ 163,219	$ (448,425)	$ 1,213,396
Net income/(loss)	$ (82,650)	$ 111,601	$ (300,528)	$ 742,166
Net income/(loss) per share:				
Basic	$ (0.007)	$ 0.010	$ (0.027)	$ 0.066
Diluted	$ (0.007)	$ 0.010	$ (0.027)	$ 0.066
For the year ended December 31, 2016:				
Net revenues	$ 4,206,505	$ 3,774,121	$ 3,410,880	$ 4,690,371
Operating income/(loss)	$ 704,933	$ 288,017	$ (268,717)	$ 886,267
Net income/(loss)	$ 427,354	$ 166,965	$ (176,645)	$ 533,887
Net income/(loss) per share:				
Basic	$ 0.037	$ 0.015	$ (0.016)	$ 0.047
Diluted	$ 0.037	$ 0.015	$ (0.016)	$ 0.047

NOTE 17 – SUBSEQUENT EVENTS

On March 13, 2018 the Board of Directors declared dividends totaling $450,475 ($0.04 per share).

Management has evaluated subsequent events through March 22, 2018, which was the date the Consolidated financial statements were available to be issued.