ONLINE VACATION CENTER HOLDINGS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018
Fort Lauderdale, Florida

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

CONTENTS

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
Online Vacation Center Holdings Corp.

Report on the Financial Statements

We have audited the accompanying financial statements of Online Vacation Center Holdings Corp. (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

MARCUMGROUP
MEMBER

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Online Vacation Center Holdings Corp. as of December 31, 2019 and 2018, and the consolidated 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 10 to the consolidated financial statements, on January 1, 2019, the Company adopted ASC 842 Lease Accounting Standard. Our opinion is not modified with respect to that matter.

Marcum LLP

Ft. Lauderdale, FL
March 30, 2020

ONLINE VACATION CENTER HOLDINGS CORP.

CONSOLIDATED BALANCE SHEETS

December 31, 2019 and 2018

ASSETS	**2019**	**2018**
Current assets		
Cash and cash equivalents	$ 5,156,381	$ 3,729,382
Available-for-sale securities, at fair value	2,233,216	2,345,538
Accounts receivable, net	2,247,879	1,998,043
Deposits and prepaid items	3,427,879	3,098,150
Total current assets	13,065,355	11,171,113
Restricted cash	531,743	529,793
Deferred tax asset, net	62,805	-
Lease asset	735,463	-
Property and equipment, net	380,140	461,084
Intangible assets, net	515,616	828,348
Goodwill	64,526	64,526
Total assets	$ 15,355,648	$ 13,054,864
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 6,474,465	$ 6,832,811
Lease liability	485,347	-
Deferred revenue	2,780,609	2,819,950
Deferred rent	-	68,967
Total current liabilities	9,740,421	9,721,728
Deferred rent	-	446,752
Lease liability	572,630	-
Deferred tax liability, net	-	119,710
Total liabilities	10,313,051	10,288,190
Commitments and contingencies – Note 14		
Stockholders' equity		
Preferred stock, 1,000,000 shares authorized at $0.0001 par value; 0 shares issued and outstanding	-	-
Common stock, 80,000,000 shares authorized at $0.0001 par value; 8,654,727 and 8,776,327 shares issued and outstanding as of December 31, 2019 and 2018, respectively.	865	878
Retained earnings	5,041,732	2,765,796
Total stockholders' equity	5,042,597	2,766,674
Total liabilities and stockholders' equity	$ 15,355,648	$ 13,054,864

See accompanying notes to consolidated financial statements.

ONLINE VACATION CENTER HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2019 and 2018

	2019	2018
Net revenues	$ 20,914,793	$ 18,247,604
Operating expenses		
Selling and marketing	6,746,513	6,289,686
General and administrative	9,626,566	9,363,441
Depreciation and amortization	1,008,631	759,253
Operating income	3,533,083	1,835,224
Other income (expense), net	411,152	(163,040)
Income before provision for income taxes	3,944,235	1,672,184
Provision for income taxes	1,013,258	407,900
Net income	$ 2,930,977	$ 1,264,284
Earnings per share – basic and diluted	$ 0.334	$ 0.121
Weighted average shares outstanding – basic and diluted	8,762,335	10,462,954

See accompanying notes to consolidated financial statements.

ONLINE VACATION CENTER HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2019 and 2018

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total
Balance, January 1, 2018	11,261,878	1,126	2,150,667	43,272	2,144,883	-	4,339,948
Cumulative effect of adoption of accounting standard updates					719,856		719,856
Unrealized gain on available-for-sale securities, net of tax	-	-	-	(43,272)	43,272	-	-
Acquisition of treasury stock at cost	-	-	-	-	-	(3,106,939)	(3,106,939)
Retirement of treasury stock	(2,485,551)	(248)	(2,150,667)	-	(956,024)	3,106,939	-
Dividend	-	-	-	-	(450,475)	-	(450,475)
Net income	-	-	-	-	1,264,284	-	1,264,284
Balance, December 31, 2018	8,776,327	$ 878	$ -	$ -	$ 2,765,796	$ -	$ 2,766,674
Acquisition of treasury stock at cost	-	-	-	-	-	(304,000)	(304,000)
Retirement of treasury stock	(121,600)	(13)	-	-	(303,988)	304,000	-
Dividend	-	-	-	-	(351,053)	-	(351,053)
Net income	-	-	-	-	2,930,977	-	2,930,977
Balance, December 31, 2019	8,654,727	$ 865	$ -	$ -	$ 5,041,732	$ -	$ 5,042,598

See accompanying notes to consolidated financial statements.

ONLINE VACATION CENTER HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Net income	$ 2,930,977	$ 1,264,284
Adjustments to reconcile net income		
to net cash provided by operating activities		
Depreciation and amortization	1,008,631	759,253
Amortization of lease asset	288,449	-
Deferred income tax provision	(182,514)	(98,690)
Realized (gain)/loss on sale of available-for-sale securities	4,170	976
Unrealized (gain)/loss on sale of available-for-sale securities	(370,019)	223,033
Changes in operating assets and liabilities		
Decrease in accounts receivable	(249,836)	(316,086)
Decrease (increase) in deposits and prepaid items	(329,731)	104,979
Decrease in accounts payable and accrued liabilities	(358,347)	161,320
Increase in deferred revenue	(39,341)	641,086
Decrease in lease liability	(481,654)	-
Decrease in deferred rent	-	(147,705)
Net cash provided by operating activities	2,220,785	2,592,450
Cash flows from investing activities		
Capital expenditures	(140,693)	(31,679)
Acquisition of intangible assets	(474,261)	(535,306)
Purchase of equity securities	(208,213)	(3,764,073)
Proceeds from the sale of equity securities	686,384	2,235,972
Net cash provided by (used in) investing activities	(136,783)	(2,095,086)
Cash flows from financing activities		
Repurchase of common stock	(304,000)	(3,106,939)
Dividend payment	(351,053)	(450,475)
Net cash used in financing activities	(655,053)	(3,557,414)
Net change in cash and restricted cash	1,428,949	(3,060,050)
Beginning cash and restricted cash	4,259,175	7,319,225
Ending cash and restricted cash	$ 5,688,124	$ 4,259,175
Supplemental cash flow information		
Cash paid for taxes	$ 1,144,500	$ 301,331
Cash paid for interest	1,219	-
Supplemental disclosure of non-cash investing and financing activities		
Retirement of treasury stock	304,000	3,106,939
Cumulative effect adjustment from accumulated other comprehensive income to retained earnings	-	43,272
Cumulative effect adjustment of accounting standard	-	719,856
Cash and cash equivalents	$ 5,156,381	$ 3,729,382
Restricted Cash	531,743	529,793
Total cash and restricted cash	$ 5,688,124	$ 4,259,175

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 includes:

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: On January 1, 2018, the Company adopted Accounting Standards Codification (“ASC”) Topic 606, “Revenue from Contracts with Customers” using the modified retrospective method for all existing contracts not yet completed as of the date of adoption.

Under ASC 606, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services, which is generally upon shipment of the goods and performance of the service. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under the standard, a contract’s transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether they are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

The Company's revenue consists of the sale of travel marketing services to companies, primarily related to cruises. Revenue is provided by the travel provider who generally directs which method of the marketing service is provided. Travel marketing services may be referred to as commission, bonus commission (overrides), or advertising. Vacation travel sales transactions and insurance services are billed to travelers at the time of booking. The commission revenue related to travel sales is recognized in the accompanying consolidated financial statements in the period the commissions are earned which occurs up to the travel date. The commission revenue related to insurance sales is recognized in the accompanying consolidated financial statements when the service is no longer cancelable without penalty. Advertising revenue is recognized upon distribution of the marketing publication. Override (volume incentive "Bonus Commission") revenue is recognized when the agreed-upon goal is achieved as specified in the override agreement.

The Company does not disclose information about remaining performance obligations for customer deposits, included in accounts payable, which have original expected durations of one year or less.

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.

<u>Risks and Concentrations</u>: 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.

As discussed in Note 16 to the consolidated financial statements, towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. Some cruise lines have suspended operations, which will negatively impact the Company's business.

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, 2019, the Company had cash deposits of $4,033,972 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.

<u>Marketing Costs</u>: Substantially all marketing costs are expensed as incurred and principally represent production, printing, direct mail costs, and online advertising. Marketing expense for the years ended December 31, 2019 and 2018 was $2,882,351 and $2,917,178, respectively.

<u>Cash and Cash Equivalents</u>: 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, 2019 and 2018, 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, 2019 and 2018, certificates of deposit of $531,743 and $529,793, 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.

Leases: The Company evaluates arrangements at inception to determine if an arrangement is or contains a lease. Operating lease assets represent the Company's right to control an underlying asset for the lease term and operating lease liabilities represent the Company's obligation to make lease payments arising from the lease. Control of an underlying asset is conveyed to the Company if the Company obtains the rights to direct the use of and to obtain substantially all the economic benefits from using the underlying asset. Operating lease assets and liabilities are recognized at the commencement date of the lease based upon the present value of lease payments over the lease term. When determining the lease term, the Company includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The Company uses an incremental borrowing rate that the Company would expect to incur for a fully collateralized loan over a similar term under similar economic conditions to determine the present value of the lease payments. The Company has lease arrangements which include lease and non-lease components, which the Company has elected to account for as a single lease component for all classes of underlying assets.

The lease payments used to determine the Company's operating lease assets may include lease incentives and stated rent increases and are recognized in the Company's operating lease assets in the Company's consolidated balance sheets. Operating lease assets are amortized to rent expense over the lease term and included in operating expenses in the consolidated statements of operations.

Property and Equipment: Property and equipment are recorded at cost, net of depreciation. 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 2019 and 2018.

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 2015. 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 $1,219 and $0 in interest and $2,743 and $374 in penalties during the years ended December 31, 2019 and 2018, respectively.

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.

Retirement of Treasury Stock: The Company's accounting policy for common stock repurchased and retired is to charge any excess of cost over par value to additional paid-in capital (APIC). Any excess over APIC is to be charged to retained earnings.

Recent Accounting Pronouncements: In February 2016, the FASB issued an ASU amending the accounting for leases. The new guidance requires the recognition of lease assets and liabilities for operating leases with terms of more than 12 months, in addition to those currently recorded, on the Company's consolidated balance sheets. The Company adopted the new guidance effective January 1, 2019. An asset of approximately $1.0 million and a liability of approximately $1.5 million was recognized related to the Company's leases. The ending balance of deferred rent as of December 31, 2018 was approximately $500,000 and was recorded as an offset against the ROU asset on the date of adoption.

NOTE 3 – FAIR VALUE MEASUREMENT AND INVESTMENTS

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, 2019 and 2018.

Fair Value Measurements as of December 31, 2019

	Level 1	Level 2	Level 3	Total
Assets:				
Equity Securities	$ 2,233,216	$ -	$ -	$ 2,233,216

Fair Value Measurements as of December 31, 2018

	Level 1	Level 2	Level 3	Total
Assets:				
Equity Securities	$ 2,345,538	$ -	$ -	$ 2,345,538

The Company's investments are comprised of equity securities. Equity securities are carried at fair value, measured using Level 1 inputs, with changes in fair value reported in net income. All equity securities have readily determinable fair values.

Realized gains and losses on sales of investments are determined using the specific identification method. Realized gains and losses are included in other income (expense), net in the consolidated statements of income.

At December 31, 2019, the estimated fair value of the Company's investments included a net unrealized gain of $204,948. At December 31, 2018, the estimated fair value of the Company's investments included a net unrealized loss of $165,071.

NOTE 4 – DEPOSITS AND PREPAID ITEMS

Deposits and prepaid items consist of the following:

	December 31, 2019	December 31, 2018
Prepaid travel costs and other expenses	$ 2,230,680	$ 2,598,896
Prepaid commissions and employee advances	48,240	39,075
Refundable deposits with suppliers	1,148,959	460,179
	$ 3,427,879	$ 3,098,150

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	December 31, 2019	December 31, 2018
Office equipment	$ 812,546	$ 676,547
Furniture and fixtures	250,531	245,834
Leasehold Improvements	810,054	810,054
	1,873,131	1,732,435
Less: Accumulated Depreciation	(1,492,991)	(1,271,351)
Property and equipment, net	$ 380,140	$ 461,084

Depreciation expense for the years ended December 31, 2019 and 2018 was $221,638 and $199,288, respectively.

NOTE 6 – INTANGIBLE ASSETS, NET

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

Intangible assets consist of the following:

	December 31, 2019	December 31, 2018
Customer lists	$ 6,528,369	$ 6,054,107
Trade names	201,307	201,307
Franchise fee	8,939	8,939
	6,738,615	6,264,353
Less Accumulated amortization	(6,222,999)	(5,436,005)
Intangible assets, net	$ 515,616	$ 828,348

Amortization expense for the years ended December 31, 2019 and 2018 was $786,993 and $559,967, respectively. The estimated aggregate amortization expense for the next five years is as follows:

Year	Estimated Annual Amortization Expense
2020	$ 301,116
2021	130,643
2022	64,803
2023	19,054
Total	$ 515,616

NOTE 7 – GOODWILL

The Company recorded goodwill in conjunction with its acquisition of Dunhill. During the fourth quarters of 2019 and 2018, 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, 2019 and 2018, the carrying amount of goodwill was $64,526.

NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	December 31, 2019	December 31, 2018
Customer deposits	$ 4,249,424	$ 4,954,292
Accrued compensation	1,441,478	1,176,765
Other accrued expenses	172,583	162,326
Accounts payable	610,980	539,428
Total	$ 6,474,465	$ 6,832,811

NOTE 9 – 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 for travel sales is recognized as commission in net revenues in the accompanying consolidated statements of income and comprehensive income when the commissions are earned which occurs up to the travel date. The commission revenue related to insurance sales is recognized in the accompanying consolidated financial statements when the service is no longer cancelable without penalty. Deferred revenue for travel marketing services focused on advertising is recognized as revenue in the accompanying financial statements when the publication is distributed. At December 31, 2019 and 2018, deferred revenue was $2,780,609 and $2,819,950, respectively.

Deferred revenue will be recognized as follows:

Year	Deferred Revenue to be Recognized
2020	$ 2,608,134
2021	170,890
2022	1,585
	$ 2,780,609

NOTE 10 – LEASES

In February 2016, the FASB issued ASU No. 2016-02, Leases, which introduced a lessee model that requires the majority of leases to be recognized on the balance sheet. On January 1, 2019, the Company adopted the ASU using the modified retrospective transition approach and elected the transition option to recognize the adjustment in the period of adoption rather than in the earliest period presented. Adoption of the new guidance resulted in the initial recognition of lease assets of $1,023,912, lease liabilities of $1,539,630, and the elimination of deferred rent of $515,719.

The Company records lease assets and liabilities for non-cancelable operating leases primarily for real estate and equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Expense related to leases is recorded on a straight-line basis over the lease term, including rent holidays.

The following table sets forth the Lease assets and liabilities as of December 31, 2019:

	December 31, 2019
Assets	
Lease assets	$ 735,463
Liabilities	
Lease Liabilities - Current	485,347
Lease Liabilities - Long Term	572,630
Total Lease liabilities	$ 1,057,977

During the year ended December 31, 2019, the Company reduced its lease liabilities by $481,653.

The following table presents information about the amount, timing, and uncertainty of cash flows arising from the Company's operating leases as of December 31, 2019:

	December 31, 2019
Maturity of Operating Lease Liabilities	
2020	$ 485,347
2021	532,910
2022	102,166
2023	9,198
Total undiscounted operating leases payments	1,129,621
Less: Imputed interest	(71,644)
Present Value of Operating Lease Liabilities	$ 1,057,977
Other Information	
Weighted-average remaining lease term	2.2 years
Weighted-average discount rate	5.50%

Rent expense for the years ended December 31, 2019 and 2018 was $387,854 and $343,238, respectively.

NOTE 11 - INCOME TAXES

The provision for income taxes for the years ended December 31, 2019 and 2018 consists of the following:

	December 31, 2019	December 31, 2018
Current		
Federal	$ 939,165	$ 391,255
State	256,607	115,335
	1,195,772	506,590
Deferred		
Federal	(146,244)	(81,260)
State	(36,270)	(17,430)
	(182,514)	(98,690)
Provision for income taxes, net	$ 1,013,258	$ 407,900

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, 2019	December 31, 2018
Statutory federal income tax rate	21.0%	21.0%
State income taxes	4.4	4.6
Tax effect of non-deductible items	0.2	0.3
Other	0.1	(1.5)
Effective tax rate	25.7%	24.4%

For the year ended December 31, 2019, the effective tax rate exceeded the statutory rate primarily as a result of higher state income taxes. For the year ended December 31, 2018, the effective tax rate exceeded the statutory rate due to state income taxes, items not deductible for tax purposes, and partially offset by the true-up of permanent tax differences from prior periods. 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, 2019	December 31, 2018
Capitalized list costs	$ (130,400)	$ (203,271)
Federal property and equipment basis difference	46,608	85,329
State property and equipment basis difference	6,198	10,459
Amortization	67,507	76,763
Unrealized gains and losses	(51,944)	41,837
Revenue recognition timing	(122,194)	(300,576)
Accruals and other	247,030	169,749
Net deferred income tax asset (liability)	$ 62,805	$ (119,710)

NOTE 12 - EARNINGS PER SHARE

As of December 31, 2019 and 2018, 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 13 – STOCK REPURCHASES

On October 1, 2019, the Company commenced an offer to purchase up to 1.5 million of its common shares at a price of $2.50 per share. The offer expired on November 15, 2019 and under the terms of the offer, the Company repurchased 121,600 shares for a total cost of $304,000. The Company used a portion of its cash to fund the repurchases. All repurchased shares were immediately retired.

On July 11, 2018, the Company commenced an offer to purchase up to 1.5 million of its common shares at a price of $1.25 per share. The offer expired on August 13, 2018 and under the terms of the offer, the Company repurchased 1.486 million shares for a total cost of $1,856,939. In September 2018, the Company repurchased 1 million shares at a price of $1.25 per share for a total cost of $1,250,000. The

Company used a portion of its cash and investments to fund the repurchases. All repurchased shares were immediately retired.

No treasury stock was held by the Company as of December 31, 2019 and 2018.

NOTE 14 - 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 payments for the years ended December 31, 2019 and 2018 were $515,299 and $429,363, respectively.

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. The term of the agreement is a rolling three years and automatically renews every year for another three-year term.

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. In February 2019, the Company began a program to match employee contributions, up to $1,000 per employee. In August 2019, the program was amended to increase the match to $2,000 per employee. Company match contributions in 2019 totaled $105,217. No contributions were approved during the year ended December 31, 2018.

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 15 – QUARTERLY FINANCIAL DATA (UNAUDITED)

Select quarterly financial information is presented in the tables below for the quarterly periods of 2019 and 2018:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
For the year ended December 31, 2019:				
Net revenues	$ 5,272,938	$ 5,176,195	$ 5,013,258	$ 5,452,402
Operating income/(loss)	$ 785,108	$ 791,886	$ 630,159	$ 1,325,930
Net income/(loss)	$ 715,905	$ 639,892	$ 497,317	$ 1,077,863
Net income/(loss) per share:				
Basic	$ 0.082	$ 0.073	$ 0.057	$ 0.125
Diluted	$ 0.082	$ 0.073	$ 0.057	$ 0.125
For the year ended December 31, 2018:				
Net revenues	$ 4,083,824	$ 4,781,521	$ 4,021,542	$ 5,360,717
Operating income/(loss)	$ (330,129)	$ 867,245	$ (108,860)	$ 1,406,968

Net income/(loss)	$ (303,219)	$ 687,230	$ (14,449)	$ 894,722
Net income/(loss) per share:				
Basic	$ (0.027)	$ 0.061	$ (0.001)	$ 0.102
Diluted	$ (0.027)	$ 0.061	$ (0.001)	$ 0.102

NOTE 16 – SUBSEQUENT EVENTS

On January 1, 2020, the Company commenced an offer to purchase 1,060,000 shares of its common stock in exchange for Senior Unsecured Debentures ("Debentures") with five shareholders: Online Vacation Center Holdings Corp Trust Agreement, Edward B. Rudner Trustee; Alexander J. Rudner Trust, Edward B. Rudner Trustee; Catherine Anne Rudner Trust, Edward B. Rudner Trustee; Deanna Rudner; and Daniel J. Rudner. The shares were purchased at a price of $2.50 per share for a total cost of $2.65 million. All repurchased shares were immediately retired. The Company had 8,654,727 shares of common stock outstanding at December 31, 2019, and now has 7,594,727 shares of common stock outstanding.

The Debentures have a maturity date of February 1, 2040 and bear interest from the date of issue at 4.0% per annum, with interest and principal payable quarterly on February 1, May 1, August 1, and November 1 of each year.

Towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. All Cruise Lines have temporarily suspended operations, which will negatively impact the Company's business. Although it is not currently possible to estimate the length or severity of this outbreak and hence its financial impact, any significant reduction in cruise bookings caused by COVID-19 will result in a short-term reduction in sales in sales and profits. With that said, many Cruise Lines have protected commission on the canceled sailings, the future credits issued, or both. Also, the Company has significant cash reserves and intends on managing its two primary variable expenses (marketing and payroll) accordingly. As such, The Company believes it can sustain the losses related to this event.

Management has evaluated subsequent events through March 30, 2020 which was the date the consolidated financial statements were available to be issued.