ONLINE VACATION CENTER HOLDINGS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017
Fort Lauderdale, Florida

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

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 sheet as of December 31, 2018, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the year 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 2018 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, 2018, and the consolidated results of its operations and its cash flows for the year 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, on January 1, 2018, the Company adopted ASC 606 Revenue from Contracts with Customers. Our opinion is not modified with respect to that matter.

Prior Period Financial Statements

The financial statements of Online Vacation Center Holdings Corp. as of December 31, 2017, were audited by other auditors whose report dated March 22, 2018, expressed an unmodified opinion on those statements.

Marcum LLP

Ft. Lauderdale, FL
April 11, 2019

ONLINE VACATION CENTER HOLDINGS CORP.
CONSOLIDATED BALANCE SHEETS
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,729,382	$ 6,976,701
Available-for-sale securities, at fair value	2,345,538	1,041,446
Accounts receivable, net	1,998,043	1,681,957
Deposits and prepaid items	3,098,150	3,203,129
Total current assets	11,171,113	12,903,233
Restricted cash	529,793	342,524
Deferred tax asset, net	-	25,987
Property and equipment, net	461,084	628,691
Intangible assets, net	828,348	853,009
Goodwill	64,526	64,526
Total assets	$ 13,054,864	$ 14,817,970
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 6,832,811	$ 6,671,491
Deferred revenue	2,819,950	3,143,107
Deferred rent	68,967	61,789
Total current liabilities	9,721,728	9,876,387
Deferred rent	446,752	601,635
Deferred tax liability, net	119,710	-
Total liabilities	10,288,190	10,478,022
Commitments and contingencies – Note 13		
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; 8,776,327 and 11,261,878 shares issued and outstanding as of December 31, 2018 and 2017, respectively	878	1,126
Additional paid-in capital	-	2,150,667
Accumulated other comprehensive income	-	43,272
Retained earnings	2,765,796	2,144,883
Total stockholders' equity	2,766,674	4,339,948
Total liabilities and stockholders' equity	$ 13,054,864	$ 14,817,970

See accompanying notes to consolidated financial statements.

ONLINE VACATION CENTER HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years ended December 31, 2018 and 2017

	2018	2017
Net revenues	$ 18,247,604	$ 16,403,031
Operating expenses		
Selling and marketing	6,289,686	5,950,155
General and administrative	9,363,441	8,877,850
Depreciation and amortization	759,253	737,918
Operating income	1,835,224	837,108
Other income (expense), net	(163,040)	1,988
Income before provision for income taxes	1,672,184	839,096
Provision for income taxes	407,900	368,507
Net Income	$ 1,264,284	$ 470,589
Other comprehensive income		
Net Income	$ 1,264,284	$ 470,589
Unrealized gain on available-for-sale securities, net of tax	-	43,272
Comprehensive Income	$ 1,264,284	$ 513,861
Earnings per share – basic and diluted	$ 0.121	$ 0.042
Weighted average shares outstanding – basic and diluted	10,462,954	11,261,878

See accompanying notes to consolidated financial statements.

ONLINE VACATION CENTER HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2018 and 2017

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock	Total
Balance, January 1, 2017	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
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

See accompanying notes to consolidated financial statements.

ONLINE VACATION CENTER HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Net income	$ 1,264,284	$ 470,589
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	759,253	737,918
Deferred income tax provision (benefit)	(98,690)	402,043
Realized loss on sale of available-for-sale securities	976	960
Unrealized loss on sale of available-for-sale securities	223,033	-
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	(316,086)	(150,453)
(Increase) decrease in deposits and prepaid items	104,979	168,062
(Decrease) increase in accounts payable and accrued liabilities	161,320	(587,561)
(Decrease) increase in deferred revenue	641,086	88,661
(Decrease) increase in deferred rent	(147,705)	(131,591)
Net cash provided by operating activities	2,592,450	998,628
Cash flows from investing activities		
Capital expenditures	(31,679)	(101,215)
Acquisition of intangible assets	(535,306)	(473,959)
Purchases of equity securities	(3,764,073)	(1,058,004)
Proceeds from the sale of equity securities	2,235,972	73,560
Net cash used in investing activities	(2,095,086)	(1,559,618)
Cash flows from financing activities		
Repurchase of common stock	(3,106,939)	-
Dividend payment	(450,475)	(450,475)
Net cash used in financing activities	(3,557,414)	(450,475)
Net change in cash and restricted cash	(3,060,050)	(1,011,465)
Beginning cash and restricted cash	7,319,225	8,330,690
Ending cash and restricted cash	$ 4,259,175	$ 7,319,225
Supplemental cash flow information		
Cash paid for taxes	$ 301,331	$ 270,015
Supplemental disclosure of non-cash investing and financing activities		
Retirement of treasury stock	$ 3,106,939	$ -
Cumulative effect adjustment from accumulated other comprehensive income to retained earnings	$ 43,272	$ -
Cumulative effect adjustment of accounting standard update	$ 719,856	$ -
Cash and cash equivalents	$ 3,729,382	$ 6,976,701
Restricted cash	529,793	342,524
Total cash and restricted cash	$ 4,259,175	$ 7,319,225

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

Prior Period Reclassifications: Certain prior period amounts have been reclassified to conform to the current period presentation, including the addition of restricted cash to cash and cash equivalents on the Company's consolidated statements of cash flows as a result of the adoption of new accounting guidance.

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.

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, 2018, the Company had cash deposits of $2,863,767 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 expensed as incurred and principally represent production, printing, direct mail costs, and online advertising. Marketing expense for the years ended December 31, 2018 and 2017 was $2,917,178 and $2,896,464, 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, 2018 and 2017, 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, 2018 and 2017, certificates of deposit of $529,793 and $342,524, 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, 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 2018 and 2017.

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 2014. 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 $0 and $4,069 in interest and $374 and $0 in penalties during the years ended December 31, 2018 and 2017, 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.

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 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. Results for reporting periods beginning after January 1, 2018 are presented under the new guidance, while prior period amounts were not adjusted and continue to be reported under the accounting standards in effect for those periods.

The new guidance impacted the timing of certain revenue streams. For periods beginning after December 31, 2017, the Company recognizes commission revenue related to insurance services in the period when services are no longer cancelable without penalty rather than when the travelers' travel occurs.

The Company recorded a net increase to its retained earnings of $719,856, net of tax, as of January 1, 2018, due to the cumulative impact of adopting the current revenue standard, with all of the impact related to the Company's commission revenue related to insurance services. In addition, since the Company is using the modified retrospective method of adopting the current revenue standard, the Company is required to disclose the financial impacts to its Consolidated Balance Sheets and Consolidated Statements of Income and Comprehensive Income for all 2018 reporting periods (refer to the disclosures below for this additional information).

The cumulative effects of adopting the current revenue standard on the Company's Consolidated Balance Sheet as of January 1, 2018 were as follows:

	Balance at December 31, 2017	Adjustments	Balance at January 1, 2018
ASSETS			
Deferred tax asset, net	$ 25,987	$ (25,987)	$ -
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Deferred revenue	$ 3,143,107	$ (964,243)	$ 2,178,864
Deferred tax liability, net	$ -	$ 218,400	$ 218,400
Stockholders' equity:			
Retained earnings	$ 2,144,883	$ 719,856	$ 2,864,739

The following tables summarize the impacts of adopting the current revenue standard:

Consolidated Balance Sheet at December 31, 2018:

	As reported (current revenue standard)	Adjustments	As adjusted (previous revenue standard)
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Deferred revenue	$ 2,819,950	$ 221,698	$ 3,041,648
Deferred tax liability, net	$ 119,710	$ (56,189)	$ 63,521
Stockholders' equity:			
Retained earnings	$ 2,765,796	$ (165,509)	$ 2,600,287

Consolidated Statement of Income and Comprehensive Income for the Year Ended December 31, 2018:

	As reported (current revenue standard)	Adjustments	As adjusted (previous revenue standard)
Net revenues	$ 18,247,604	$ (221,698)	$ 18,025,906
Operating income	$ 1,835,224	$ (221,698)	$ 1,613,526
Income before provision for income taxes	$ 1,672,184	$ (221,698)	$ 1,450,486
Provision for income taxes	$ 407,900	$ (56,189)	$ 351,711
Net Income	$ 1,264,284	$ (165,509)	$ 1,098,775
Comprehensive Income	$ 1,264,284	$ (165,509)	$ 1,098,775
Earnings per share - basic and diluted	$ 0.121	$ (0.016)	$ 0.105

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. The Company adopted this standard effective January 1, 2018 using the modified retrospective approach and recorded a cumulative-effect adjustment of $43,272 to retained earnings as of the beginning of the fiscal year of adoption.

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 retrospective adoption increased our beginning and ending cash and cash equivalent balances within our consolidated statements of cash flows to include restricted cash balances. The adoption had no other material impacts to our consolidated statements of cash flows and had no impact on our results of operations or financial position.

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 our consolidated balance sheets. This standard will be effective for the Company during the first quarter of 2019. An asset and related liability of approximately $1.44 million is expected to be recognized related to the Company's leases.

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, 2018 and 2017.

Fair Value Measurements as of December 31, 2018

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

Fair Value Measurements as of December 31, 2017

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

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. For the years ended December 31, 2018 and 2017, gross realized gains were $35,571 and $2,680, respectively, and gross realized losses were $36,547 and $3,640, respectively. Realized gains and losses are included in other income (expense), net in the consolidated statements of income and comprehensive Income.

At December 31, 2018, the estimated fair value of the Company's investments included a net unrealized loss of $165,071. At December 31, 2017, the estimated fair value of the Company's investments included a net unrealized gain of $43,272.

NOTE 4 – DEPOSITS AND PREPAID ITEMS

Deposits and prepaid items consist of the following:

	December 31, 2018	December 31, 2017
Prepaid travel costs and other expenses	$ 2,598,896	$ 2,735,943
Prepaid commissions and employee advances	39,075	22,118
Refundable deposits with suppliers	460,179	445,068
Deposits and prepaid items	$ 3,098,150	$ 3,203,129

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	December 31, 2018	December 31, 2017
Office equipment	$ 676,547	$ 681,262
Furniture and fixtures	245,834	239,460
Leasehold improvements	810,054	810,054
	1,732,435	1,730,776
Less: Accumulated depreciation	(1,271,351)	(1,102,085)
Property and equipment, net	$ 461,084	$ 628,691

Depreciation expense for the years ended December 31, 2018 and 2017 was $199,286 and $216,164, 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, 2018	December 31, 2017
Customer lists	$ 6,054,107	$ 5,518,801
Trade names	201,307	201,307
Franchise fee	8,939	8,939
	6,264,353	5,729,047
Less: Accumulated amortization	(5,436,005)	(4,876,038)
Intangible assets, net	$ 828,348	$ 853,009

Amortization expense for the years ended December 31, 2018 and 2017 was $559,967 and $521,754, respectively. The estimated aggregate amortization expense for the next five years is as follows:

Year	Estimated Annual Amortization Expense
2019	$ 395,303
2020	250,923
2021	147,381
2022	34,741
Total	$ 828,348

NOTE 7 – GOODWILL

The Company recorded goodwill in conjunction with its acquisition of Dunhill. During the fourth quarters of 2018 and 2017, 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, 2018 and 2017, 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, 2018	December 31, 2017
Customer deposits	$ 4,954,292	$ 5,196,898
Accrued compensation	1,176,765	941,286
Other accrued expenses	162,326	146,052
Accounts payable	539,428	387,255
Total	$ 6,832,811	$ 6,671,491

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, 2018 and December 31, 2017, deferred revenue was $2,819,950 and $3,143,107, respectively.

Deferred revenue will be recognized as follows:

Year	Deferred Revenue to be Recognized
2019	$ 2,691,173
2020	128,187
2021	590
	$ 2,819,950

Deferred revenue as of December 31, 2018 was as follows:

Balance, beginning of period	$ 3,143,107
Cumulative effect of adoption of accounting standard updates	(964,243)
Revenue recognized	(18,247,604)
Amount sold	18,888,690
Balance, end of period	$ 2,819,950

Deferred revenue increased during the year (excluding the cumulative effect of adoption of accounting standard updates) due to increased volume and pricing during the year ended December 31, 2018.

NOTE 10 - INCOME TAXES

The provision for income taxes for the years ended December 31, 2018 and 2017 consists of the following:

	December 31, 2018	December 31, 2017
Current		
Federal	$ 391,255	$ (38,236)
State	115,335	4,700
	506,590	(33,536)
Deferred		
Federal	(81,260)	314,798
State	(17,430)	87,245
	(98,690)	402,043
Provision for income taxes, net	$ 407,900	$ 368,507

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, 2018	December 31, 2017
Statutory federal income tax rate	21.0%	34.0%
State income taxes	4.6	7.2
Tax effect of non-deductible items	0.3	0.6
Other	(1.5)	2.1
Effective tax rate	24.4%	43.9%

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. 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. 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, 2018	December 31, 2017
Capitalized list costs	$ (203,271)	$ (197,090)
Federal property and equipment basis difference	85,329	81,965
State property and equipment basis difference	10,459	15,550
Amortization	76,763	79,997
Unrealized gains and losses	41,837	(14,690)
Revenue recognition timing	(300,576)	-
Accruals and other	169,749	60,255
Net deferred income tax asset (liability)	$ (119,710)	$ 25,987

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 was 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 11 - EARNINGS PER SHARE

As of December 31, 2018 and 2017, 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 12 – STOCK REPURCHASES

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, 2018 and 2017.

NOTE 13 - 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, 2018 and 2017 was $429,363 and $427,022, respectively. Total minimum lease payments going forward, which include an estimated proportionate share of building operating expenses, are:

Year	
2019	$ 500,991
2020	508,244
2021	515,678
2022	86,154
	$ 1,611,067

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, 2018 and 2017.

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 14 – QUARTERLY FINANCIAL DATA (UNAUDITED)

Select quarterly financial information is presented in the tables below for the quarterly periods of 2018 and 2017:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
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
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

NOTE 15 – SUBSEQUENT EVENTS

On March 13, 2019 the Board of Directors declared dividends totaling $351,053 ($0.04 per share).

Management has evaluated subsequent events through April 11, 2019 which was the date the consolidated financial statements were available to be issued.