

International Monetary Systems, Ltd.

Quarterly Report
For the Period Ending September 30, 2016

International Monetary Systems, Ltd.
OTC Pink Basic Disclosure Statement

1) Name of the issuer

International Monetary Systems, Ltd.

2) Address of the issuer's principal executive offices

Company Headquarters
16901 W Glendale Dr
New Berlin, WI 53151

Phone: 262-780-3640
Email: ir@imsbarter.com
Website: www.imsbarter.com

3) Security Information

Trading Symbol: ITNM
Exact title and class of securities outstanding: Class A Common par value $.0001 per share
CUSIP: 46004U300
Par or Stated Value: $.0001
Total shares authorized: 28,000,000 as of: 9/30/2016
Total shares outstanding: 585,921 as of: 9/30/2016

Transfer Agent
Name: Computershare
Address 1: PO Box 43078
Address 2: Providence RI 02940-3078
Phone: 800-368-5948
Is the Transfer Agent registered under the Exchange Act? *Yes:* ☒ *No:* ☐

There are no restrictions on the transfer of our stock.

There have been no trading suspension orders issued by the SEC in the past 12 months.

There have been no stock splits, stock dividends, recapitalizations, mergers, acquisitions, spin-offs, or reorganizations in the last 12 months, nor are any events currently anticipated.

4) Issuance History - Changes in Outstanding Shares

Date	*Description*	*Number of Shares*
2014	*Stock retirements during the year*	*140,371*
2014	*Issued to Sr. Management in Dec. as part of compensation*	*15,000*
2015	*Stock retirements during the year*	*38,523*
2015	*Issued to Sr. Management in Dec. as part of compensation*	*12,000*
2016	*Shares retired during the first nine months*	*1,731*

There have been no other issuances in the past 2 years.

5) Financial Statements

Included.

6) Describe the Issuer's Business, Products and Services

A. A description of the issuer's business operations;

International Monetary Systems, Ltd. (IMS) manages a business-to-business barter exchange with approximately 15,000 members in the United States and Canada. IMS provides its members with BarterBuy/email promotions, monthly statements, 24-hour authorization service, and IMS' exclusive online, internet trading. In addition, each account is assigned a seasoned trade broker who acts as that company's personal sales and purchasing representative.

Intangible Assets

The Company's largest assets are the membership lists of barter exchange members and related goodwill of markets acquired. These members generate the fee income that is the Company's main source of revenue.

The book value of intangibles as of September 30, 2016 was:

Membership lists	*$*	*13,614,353*
Accumulated amortization		*(13,199,390)*
Net	*$*	*414,963*
Goodwill	*$*	*3,482,522*

See further description of the Company's business operations in Note 1 to the financial statements.

B. Date and State (or Jurisdiction) of Incorporation:

The Company was incorporated in Wisconsin in 1988.

C. Primary SIC Code

7389 - Business Services Misc

D. The issuer's fiscal year end date;

December 31

E. Principal products or services, and their markets

See above.

7) Facilities

Office Leases

Our Company's executive offices and principal operating facilities occupy 13,000 square feet of leased space located at 16901 West Glendale Drive, New Berlin, Wisconsin, under a lease from Glendale Investments, LLC, a Wisconsin limited liability company owned by three executive officers and directors of ITNM. Rent and other terms of our lease, which expires October 31, 2018, are

believed by us to be comparable to those available for similar space from unaffiliated, third-party lessors in the same area.

The Company currently leases 2,360 square feet of office space located in Rochester, New York, from a member of the board of directors of the Company. The triple net lease commenced in February 2007, and in March, 2015 was extended to January 31, 2018. The Company believes that the rental payments required and other terms of the lease are comparable to those available for similar space from unaffiliated, third-party lessors in the area.

The Company also leases office space in 11 cities in the United States, ranging from 800 to 7,600 square feet.

The leases on all properties aside from the New Berlin, Wisconsin facility and the office in Rochester, NY are from unaffiliated parties and range from a month-to-month basis to leases expiring in 2020. Upon the expiration of our current leases, we expect that, in each case, we will be able to obtain either a renewal lease, if desired, or a new lease at an equivalent or better location, at comparable expense.

8) Officers, Directors, and Control Persons

A. **Names of Officers, Directors, and Control Persons as of September 30, 2016**

Donald F. Mardak	*Chairman of the Board*
John E. Strabley	*Chief Executive Officer and Director*
Dale L. Mardak	*President and Director*
David A. Powell	*Treasurer and Chief Financial Officer*
Kimberly Strabley	*Secretary and Vice President*
Wayne Dalin	*Director*
Stephen Webster	*Director*
Mark Rothe	*Owner of greater than 5% of outstanding shares*

On October 21, 2016, the Board of Directors voted to reduce its' size from 5 directors to three. Accordingly, the Board accepted the resignations of Wayne Dalin and Stephen Webster.

B. **Legal/Disciplinary History.**

During the past 5 years, none of the above-listed individuals have been the subject of:

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

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

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

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

C. **Beneficial Shareholders**.

	Shares beneficially owned as of September 30, 2016	
Name of Beneficial Owner	***Number***	***Percent***
Donald F. Mardak	*260,533*	*44.5%*
Dale L. Mardak	*59,134*	*10.1%*
John E. Strabley	*47,167*	*8.1%*
David A. Powell	*3,052*	*0.5%*
Stephen Webster	*1,092*	*0.2%*
Wayne R. Dalin	*6,558*	*1.1%*
Kimberly A. Strabley	*37,700*	*6.4%*
All directors and executive officers as a group (7 persons)	*415,236*	*70.9%*
Other Beneficial Owner		
Mark Rothe	*37,798*	*6.5%*

9) Third Party Providers

Legal Counsel *- None*

Accountant or Auditor
Carlos Lopez
LBB & Associates Ltd., LLP
10260 Westheimer Road
Houston, TX 77042
Phone: 713-800-4343
Email: carlos@lbbcpa.com

Investor Relations Consultant *- None*

Other Advisors*: None*

10) Issuer Certifications

I, John Strabley, certify that:

1. I have reviewed this quarterly disclosure statement of International Monetary Systems, Ltd.

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

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

October 25, 2016
/s/John Strabley
CEO

I, David Powell, certify that:

1. I have reviewed this quarterly disclosure statement of International Monetary Systems, Ltd.

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

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

October 25, 2016
/s/ David Powell
CFO



International Monetary Systems, Ltd.

Financial Statements

INTERNATIONAL MONETARY SYSTEMS, LTD.
FINANCIAL STATEMENTS
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INTERNATIONAL MONETARY SYSTEMS, LTD.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2016	December 31, 2015
ASSETS		
Current assets		
Cash	$ 894,323	$ 844,961
Marketable securities	194,546	275,568
Accounts receivable, net	532,810	705,912
Earned trade account	84,314	66,971
Prepaid expenses	142,722	134,298
Total current assets	1,848,715	2,027,710
Other assets		
Property and equipment, net	378,055	322,482
Membership lists and other intangibles, net	414,963	1,064,673
Goodwill	3,482,522	3,482,522
Deferred tax assets	396,394	254,620
Assets held for investment and other long term assets	90,073	93,823
Total non-current assets	4,762,007	5,218,120
Total assets	$ 6,610,722	$ 7,245,830
Current liabilities		
Accounts payable and accrued expenses	$ 785,576	$ 1,019,193
Credit lines and current portion of long term debt	931,482	800,052
Current portion of notes payable to related parties	200,000	20,000
Common stock subject to guarantee	-	21,702
Total current liabilities	1,917,058	1,860,947
Long-term liabilities		
Long term debt, net of current portion	450,808	946,502
Notes payable related parties, net of current portion	570,000	650,000
Deferred compensation	216,000	238,500
Total long-term liabilities	1,236,808	1,835,002
Total liabilities	3,153,866	3,695,949
Commitments and Contingencies		
Preferred stock, $.0001 par value, 2,000,000 authorized, -0- outstanding	-	-
Common stock, $.0001 par value 28,000,000 authorized, 585,921 and 587,652 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	58	58
Paid in capital	5,867,627	5,879,723
Treasury stock, 4,166 and 966 shares at September 30, 2016 and December 31, 2015, respectively	(29,878)	(8,709)
Accumulated other comprehensive income	62,194	84,417
Accumulated deficit	(2,443,145)	(2,405,608)
Total stockholders' equity	3,456,856	3,549,881
Total liabilities and stockholders' equity	$ 6,610,722	$ 7,245,830

See accompanying notes to consolidated financial statements.

INTERNATIONAL MONETARY SYSTEMS, LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net revenue	$2,815,168	$2,898,645	$8,479,219	$8,843,134
Operating expenses:				
Employee costs	1,804,544	1,794,504	5,525,099	5,545,235
Selling, general and administrative	757,450	795,008	2,223,699	2,371,856
Depreciation and amortization	237,637	264,171	733,889	889,967
Total operating expenses	2,799,631	2,853,683	8,482,687	8,807,058
Income (loss) from operations	15,537	44,962	(3,468)	36,076
Other income (expense)				
Interest income	12	10	35	29
Gain (loss) on sales of assets	38,848	(2,750)	38,848	(5,150)
Interest expense	(34,269)	(40,664)	(104,275)	(128,151)
Total other income (expense)	4,591	(43,404)	(65,392)	(133,272)
Income (loss) before income taxes	20,128	1,558	(68,860)	(97,196)
Income tax (expense) benefit	(5,459)	17,010	31,325	72,636
Net income (loss)	14,669	18,568	(37,535)	(24,560)
Components of comprehensive income (loss):				
Foreign currency translation adjustment	(1,954)	(16,821)	2,647	(16,227)
Unrealized gain (loss) on available for sale securities	11,744	(8,606)	13,978	(12,839)
Comprehensive income (loss)	$ 24,459	$ (6,859)	$ (20,910)	$ (53,626)
Net income (loss) per common share – basic	$ .03	$ .03	$ (.06)	$ (.04)
– dilutive	$ .03	$ .03	$ (.06)	$ (.04)
Weighted average common shares outstanding – basic	586,505	614,175	586,651	614,175
– dilutive	586,505	614,175	586,651	614,175

See accompanying notes to consolidated financial statements.

INTERNATIONAL MONETARY SYSTEMS, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (37,535)	$ (24,560)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	733,889	889,967
Bad debt expense (recovery)	(9,545)	(23,718)
Amortization of note discount	-	284
Loss (gain) on sales of assets	(38,848)	5,150
Changes in assets and liabilities		
Accounts receivable	182,646	217,344
Earned trade account	(80,424)	(34,232)
Prepaid expenses	(8,093)	(17,598)
Accounts payable and accrued expenses	(256,117)	(147,297)
Deferred income taxes	(141,774)	(233,559)
Net cash provided by operating activities	344,199	631,781
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(98,706)	(73,386)
Proceeds from sale of marketable securities	95,000	-
Repayments of note receivable	3,750	3,750
Net cash used in investing activities	44	(69,636)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	215,000	150,000
Net change in credit lines	5,000	60,000
Payments on notes payable, convertible notes payable and related party notes	(484,263)	(721,467)
Purchase of treasury stock	(33,265)	(71,646)
Net cash used in financing activities	(297,528)	(583,113)
Effect of exchange rate changes	2,647	(16,227)
Net decrease in cash	49,362	(37,195)
Cash at beginning of period	844,961	796,547
Cash at end of period	$ 894,323	$ 759,352

INTERNATIONAL MONETARY SYSTEMS, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
Continued

	Nine Months Ended September 30,	
	2016	2015
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	$105,435	$ 128,544
Cash paid for income taxes	$244,130	$ 255,079
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Unrealized net gain (loss) on marketable securities	$ 13,978	$ (12,839)
Trade dollars exchanged for:		
Capital expenditures	$ 41,379	$ 28,748
Treasury stock	$ 21,702	-
Trade dollars received for capital assets	$ -	$ 5,800

See accompanying notes to consolidated financial statements.

INTERNATIONAL MONETARY SYSTEMS, LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
September 30, 2016

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 30, 2016, are not necessarily indicative of the results that may be expected for the year ended December 31, 2016.

The Company's 10-K for the year ended December 31, 2015, filed on March 17, 2016, should be read in conjunction with this report.

Principles of Consolidation

The consolidated financial statements for 2016 and 2015 include the accounts of International Monetary Systems, Ltd. (“IMS” or “the Company”) and its’ wholly owned subsidiaries Continental Trade Exchange, Ltd., National Trade Association, Inc., and INLM CN Inc. Significant intercompany accounts and transactions have been eliminated in consolidation.

Revenue Sources and Cost of Revenue

The Company and its subsidiaries earn revenues in both traditional cash dollars and in IMS trade dollars.

Cash Revenue

Cash income is earned through fees assessed when a member joins, transaction fees generated when clients earn or spend their trade dollars, annual and monthly maintenance fees, finance charges on delinquent accounts receivable, and event fees.

Trade Dollar Revenue

Trade revenue is similarly generated through initial membership fees, monthly maintenance fees, transaction fees, finance charges on delinquent accounts, and event fees. Occasionally the Company will accept a favorable trade ratio in lieu of a cash fee.

Revenue Recognition

All revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collectability is reasonably assured.

Transaction fees are recognized upon receipt of transactional information accumulated by our systems or reported by our clients.

Membership fees, monthly maintenance fees, and other fees are billed monthly to members' accounts, and are recognized in the month the revenue is earned.

Use of Trade Dollars

The Company uses earned trade dollars to purchase various goods and services required in its operations. All barter transactions are reported at the estimated fair value of the products or services received.

Occasionally, the Company sells IMS trade dollars for US dollars. The cash received in these sales is included in gross revenue and the carrying value of the trade dollars up to the value of the cash received is netted against revenue, with any excess cost included in selling, general and administrative expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior period financial statements have been reclassified to conform to the current period presentation.

Recent Accounting Pronouncements

Management does not anticipate that any of the recently issued, but not yet effective, accounting pronouncements will materially impact the Company's financial condition.

NOTE 2 – CASH

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes. As of September 30, 2016, the Company has cash in excess of FDIC insurance of approximately $585,000. No losses have been incurred related to this credit risk exposure.

NOTE 3 – SALE OF MARKETABLE SECURITIES

In August, 2016, the Company sold a portion of its' marketable equity securities portfolio to reduce market risk exposure, resulting in a gain of $38,848. The proceeds of $95,000 were added to the Company's cash reserves.

NOTE 4 – DEBT

In June, 2016, the Company issued a note in the amount of $50,000 to an officer for cash. The terms of the note calls for quarterly interest payments at 8% for two years, after which the notes is payable in full.

In June 2016, a $20,000 convertible note payable to an officer of the Company was renewed and the conversion feature removed. The note continues to call for quarterly interest payments of 8% and is now due in June, 2018.

In August, 2016, the Company issued a promissory note in the amount of $115,000 to a bank to fund an equipment purchase. The note calls for 48 monthly payments of $2,612.60, including interest at 4.25%. As collateral for the note, the Company has granted a security interest in certain assets of the business and several officer/directors have personally guaranteed the repayment of the debt.

In September, 2016, all notes payable to the Chairman of the Company totaling $700,000, plus an additional borrowing of $50,000, were combined into a single note payable of $750,000. The unsecured note is now due in 2019 and calls for monthly interest payments of 8%. Up to $200,000 per year can be called by the lender prior to maturity. Additionally, all conversion features contained in the previous notes were eliminated.

The Company's indebtedness as of September 30, 2016 includes the following:

Lines of credit payable to financial institutions, due in 2016	$ 130,000
Convertible notes payable to related parties, mature in 2017	
Non-convertible notes payable to related parties, maturing in 2018 and 2019	770,000
Notes payable to third parties, $199,140 due in 2016	1,252,292
Total indebtedness	2,152,292
Less current maturities, including credit lines	(1,131,484)
Long term debt, net of current maturities	$ 1,020,808

Additionally, the Company has lines of credit (including the one described above) with various financial institutions with unused borrowing capacity totaling approximately $417,000 as of September 30, 2016, which may be drawn as needed.

A financial institution has issued a $65,000 standby letter of credit to a landlord in lieu of a security deposit.

NOTE 5 – EQUITY

Common Stock Guarantee Repurchase

In January 2016, the Company repurchased the remaining 723 shares to which the common stock guarantee agreement related at a cost of $21,702, paid in trade dollars. The shares were retired directly to authorized and unissued status.

Share Buyback Program

In accordance with a board approved plan, the following stock buybacks were made in open market and private transactions:

In the first half of 2016, the Company purchased 2,308 shares, at a cost of $22,021.

In the third quarter of 2016, the Company purchased 1,900 shares at a cost of $11,244.

208 of the repurchased shares were retired directly to authorized and unissued, the remaining shares were placed in Treasury.

Treasury Stock Retirements

800 treasury shares were retired in July, 2016.

Stock Issued for Services

No stock has been issued for services in 2016.

Stock Options

The Company has adopted an incentive stock option plan under which certain officers, key employees, or prospective employees may purchase shares of the Company's stock at an established exercise price, which shall not be less than the fair market value at the time the option is granted. The final exercise date is any time prior to the five-year anniversary of the first exercise date.

There are no options outstanding at September 30, 2016.

Stock Warrants

No warrants were issued in the current period.

There are no warrants outstanding as of September 30, 2016.

NOTE 6 – INCOME TAXES

The difference between the combined Federal and state statutory rate and the effective rate for the nine months ended September 30, 2016 relates to the difference in timing of deduction for certain expenses, primarily bad debts, amortization of acquired membership lists, and depreciation of property and equipment, and the rates at which deferred taxes were originally established.

NOTE 7 – CONTINGENT LIABILITIES

In the ordinary course of business, the Company is occasionally involved in litigation, both as plaintiff and defendant. Management either litigates or settles claims after evaluating the merits of the actions and weighing the costs of settling vs. litigating. There are currently no open litigation matters which the Company feels will result in a material loss.