International Monetary Systems, Ltd.

Annual Report
For the Year Ended December 31, 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: 12/31/2016
Total shares outstanding: 590,379 as of: 12/31/2016

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:* [X] *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 year*	*15,273*
2016	*Issued to Sr. Management in Dec. as part of compensation*	*18,000*

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 December 31, 2016 was:

Membership lists	*$*	*13,614,353*
Accumulated amortization		*(13,296,724)*
Net	*$*	*317,629*
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 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 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 December 31, 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*
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 December 31, 2016	
Name of Beneficial Owner	***Number***	***Percent***
Donald F. Mardak	*266,533*	*45.1%*
Dale L. Mardak	*65,134*	*11.0%*
John E. Strabley	*53,167*	*9.0%*
David A. Powell	*3,052*	*0.5%*
Kimberly A. Strabley	*37,700*	*6.4%*
All directors and executive officers as a group (7 persons)	*433,235*	*72.1%*
Other Beneficial Owner		
Mark Rothe	*37,798*	*6.4%*

9) Third Party Providers

Legal Counsel *- None*

Accountant or Auditor - *None*

Investor Relations Consultant *- None*

Other Advisors*: None*

10) Issuer Certifications

I, John Strabley, certify that:

1. I have reviewed this annual 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.

March 23, 2017
/s/John Strabley
CEO

I, David Powell, certify that:

1. I have reviewed this annual 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.

March 23, 2017
/s/ David Powell
CFO

International Monetary Systems, Ltd.

Financial Statements
Unaudited

INTERNATIONAL MONETARY SYSTEMS, LTD.
FINANCIAL STATEMENTS
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INTERNATIONAL MONETARY SYSTEMS, LTD.
CONSOLIDATED BALANCE SHEETS
December 31, 2016 and 2015
Unaudited

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 914,882	$ 844,961
Marketable securities	201,613	275,568
Accounts receivable, net	710,779	772,883
Prepaid expenses	112,985	134,298
Total current assets	1,940,259	2,027,710
Other assets		
Property and equipment, net	428,636	322,482
Membership lists and other intangibles, net	317,629	1,064,673
Goodwill	3,482,522	3,482,522
Deferred taxes	368,988	254,620
Other long term assets	64,323	93,823
Total other assets	4,662,098	5,218,120
Total assets	$ 6,602,357	$ 7,245,830
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 848,786	$ 1,019,193
Credit lines and current portion of long-term debt	615,697	800,052
Current portion of notes payable to related parties	240,000	20,000
Common stock subject to guarantee	--	21,702
Total current liabilities	1,704,483	1,860,947
Long-term liabilities, net of current portions		
Long term debt	664,687	946,502
Notes payable to related parties	570,000	650,000
Deferred compensation	208,500	238,500
Total long-term liabilities	1,443,187	1,835,002
Total liabilities	3,147,671	3,695,949
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, $.0001 par value, 2,000,000 shares authorized, -0- outstanding	-	-
Common stock, $.0001 par value 28,000,000 shares authorized, 590,379 and 587,652 shares issued and outstanding at December 31, 2016 and 2015, respectively	58	58
Additional paid in capital	5,827,443	5,879,723
Treasury stock, 620 and 966 shares at December 31, 2016 and 2015	(3,483)	(8,709)
Accumulated other comprehensive income	64,024	84,417
Accumulated deficit	(2,433,355)	(2,405,608)
Total stockholders' equity	3,454,686	3,549,881
Total liabilities and stockholders' equity	$ 6,602,357	$ 7,245,830

See accompanying notes to consolidated financial statements.

INTERNATIONAL MONETARY SYSTEMS, LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME(LOSS)
Years Ended December 31, 2016 and 2015
Unaudited

	2016	2015
Revenue	$11,733,533	$12,338,152
Operating expenses:		
Employee costs	7,657,442	7,686,653
Selling, general and administrative	3,194,580	3,296,435
Depreciation and amortization	862,042	1,148,476
Total operating expenses	11,714,064	12,131,564
Income from operations	19,488	206,588
Other income (expense)		
Interest income	2,136	2,903
Gain (loss) on sales of assets	37,885	(5,150)
Interest expense	(137,174)	(165,983)
Net other income (expense)	(97,153)	(168,230)
Income (loss) before income taxes	(77,665)	38,358
Income tax (expense) benefit	49,919	(7,012)
Net income (loss)	(27,746)	31,346
Components of comprehensive income (loss):		
Foreign currency translation adjustment	(506)	2,841
Unrealized gain (loss) on available for sale securities	18,961	(20,988)
Comprehensive income (loss)	$ (9,291)	$ 13,199
Net income (loss) per common share – basic	$ (.05)	$ .05
– dilutive	$ (.05)	$ .05
Weighted average common shares outstanding – basic	586,478	613,026
– dilutive	586,478	613,026

See accompanying notes to consolidated financial statements.

INTERNATIONAL MONETARY SYSTEMS, LTD.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY
Years Ended December 31, 2016 and 2015
Unaudited

	Common Stock		Paid in	Accumulated Comprehensive	Accumulated	Treasury Stock		Total Stockholders'
	Shares	Amount	Capital	Income	Deficit	Shares	Amount	Equity
Balance December 31, 2014	614,176	$ 61	$ 6,104,004	$ 102,564	$ (2,436,954)	(24,709)	$ (232,598)	$ 3,537,077
Foreign currency translation adjustment	-	-	-	(20,988)	-	-	-	(20,988)
Unrealized gain on available for sale securities	-	-	-	2,841	-	-	-	2,841
Net income(loss)	-	-	-	-	31,346	-	-	31,346
Total comprehensive income	-	-	-	-	-	-	-	13,199
Stock issued as executive officer compensation	12,000	1	95,999					96,000
Treasury stock purchases						(14,781)	(96,395)	(96,395)
Treasury Stock Retirements	(38,524)	(4)	(320,280)	-	-	38,524	320,284	-
Balance December 31, 2015	587,652	58	5,879,723	84,417	(2,405,608)	(966)	(8,709)	3,549,881
Foreign currency translation adjustment	-	-	-	(506)	-	-	-	(506)
Gain recognized on sale of securities				(38,848)				(38,848)
Unrealized gain on available for sale securities	-	-	-	18,961	-	-	-	18,961
Net income(loss)	-	-	-	-	(27,746)	-	-	(27,746)
Total comprehensive income	-	-	-	-	-	-	-	(48,139)
Stock issued as executive officer compensation	18,000	2	91,798					91,800
Stock repurchases	(6,764)	(1)	(89,165)			(7,440)	(49,687)	(138,853)
Treasury Stock Retirements	(7,786)	(1)	(54,913)	-	-	7,786	54,914	-
Repurchase of shares under common stock guarantee	(723)		(21,702)					(21,702)
Repurchase of shares under common stock guarantee		-	21,702	-	-			21,702
Balance December 31, 2016	590,379	$ 58	$ 5,827,443	$ 64,024	$ (2,433,354)	(620)	$ (3,483)	$ 3,454,689

See accompanying notes to consolidated financial statements.

INTERNATIONAL MONETARY SYSTEMS, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015
Unaudited

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (27,726)	$ 31,346
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	862,042	1,148,476
Stock based compensation	91,800	96,000
Bad debt expense	11,899	764
Loss (gain) on sales of assets	(37,884)	5,150
Changes in assets and liabilities		
Accounts receivable	11,205	9,071
Prepaid expenses	21,745	(8,828)
Accounts payable and accrued expenses	(235,852)	(65,688)
Deferred income taxes	(114,368)	(281,910)
Net cash provided by operating activities	582,839	939,665
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(140,306)	(77,058)
Proceeds from sale of marketable securities	95,000	-
(Increase) in marketable securities	(2,084)	(2,900)
Net cash used in investing activities	(47,390)	(79,958)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from related party note payable	140,000	200,000
Proceeds from bank note payable	115,000	-
Net change in credit lines	(25,000)	30,000
Payments on notes payable	(636,170)	(923,910)
Purchases of treasury stock	(58,852)	(96,395)
Net cash used in financing activities	(465,022)	(790,305)
Effect of exchange rate changes	(506)	(20,988)
Net increase in cash	69,921	48,414
Cash at beginning of period	844,961	796,547
Cash at end of period	$ 914,882	$ 844,961

INTERNATIONAL MONETARY SYSTEMS, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015
Continued

	2016	2015
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	$142,538	$ 166,307
Cash paid for income taxes	$244,130	$ 305,079
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Unrealized net gain on marketable securities	$ 18,961	$ 2,841
Treasury stock retired	$ 54,913	$ 320,284
Note issued for treasury stock	$ 80,000	$ -
Release of common stock guarantee	$ 21,702	$ -
Trade dollars exchanged for:		
Capital expenditures	$ 81,542	$ 36,752
Treasury stock	$ 21,702	$ -
Trade dollars received for capital assets	$ 8,800	$ 5,800

See accompanying notes to consolidated financial statements.

INTERNATIONAL MONETARY SYSTEMS, LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016
Unaudited

NOTE 1 - INFORMATION ABOUT THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Principles of Consolidation

International Monetary Systems, Ltd. (IMS - the Company) is a Wisconsin holding company located in New Berlin, Wisconsin, with two wholly-owned operating subsidiaries: Continental Trade Exchange, Ltd (CTE) which operates a barter (trade) exchange in the United States, and INLM CN Inc., which operates a barter (trade) exchange in Canada.

The consolidated financial statements for 2016 and 2015 include the accounts of the Company and its wholly owned subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation.

Operations of Barter Exchanges

A barter (trade) exchange is a business network and a membership organization comprised of businesses that buy and sell among the network without using cash. It is a private economy with a unique currency called a barter dollar or trade dollar. It is a third-party record keeper which provides an alternative payment system.

Member businesses do not engage in direct barter. Rather, they sell products or services to other members and accept payment in trade dollars, which they then use to buy the products or services of other members of the network. Transactions are recorded through manual and electronic data transmission using a 24-hour telephone and Internet authorization system. Some members consign their products to the barter exchange to hold as saleable inventory. Others sell gift certificates or tickets that are redeemable for their goods or services.

The barter exchange maintains the accounting records for all sales and purchases, provides monthly statements, files annual tax forms 1099-B, enrolls businesses to the network, proactively markets member products and services, maintains a member web site, facilitates transactions, and provides personal customer support services to members and clients.

Cash Equivalents

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 held for investment purposes.

Fair Value of Financial Instruments

The carrying amounts of the Company’s cash and cash equivalents, accounts receivable, restricted cash, prepaid expense and other assets, accounts payable, accrued liabilities, notes payable and deferred compensation approximate their fair values as of December 31, 2016 and 2015.

Revenue Sources

The Company and its subsidiaries earn revenues in both traditional dollars (cash) and trade dollars. Cash income is earned through fees assessed when a member joins, through transaction fees generated when clients earn or spend trade dollars, through monthly maintenance fees, finance charges on delinquent accounts receivable, and event fees.

Trade revenue is similarly generated through initial set-up fees, monthly maintenance fees, transaction fees, event fees, and inventory sales.

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

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 may differ from those estimates.

Reclassifications

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

Marketable Securities

The Company has adopted FASB ASC 320, which requires that marketable equity securities be classified into one of three categories: (1) held-to-maturity securities reported at amortized cost, (2) trading securities reported at fair value with unrealized gains and losses included in earnings, and (3) available-for-sale securities reported at fair value with unrealized gains and losses reported in other comprehensive income (loss). Costs are determined by the specific identification method.

Fair Value Measurements

FASB ASC 820 defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements.

ASC 820 defines fair value 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. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and model-driven valuations whose inputs are observable or whose significant value drivers are observable. Valuations may be obtained from, or corroborated by, third-party pricing services.

Level 3: Unobservable inputs to measure fair value of assets and liabilities for which there is little, if any market activity at the measurement date, using reasonable inputs and assumptions based upon the best information at the time, to the extent that inputs are available without undue cost and effort.

Receivables and Bad Debt Allowance

Accounts receivable are stated at face value, net of the allowance for bad debts. Finance charges on receivables are calculated using the simple interest method on the amount outstanding.

The allowance for bad debts is maintained at a level that is management's best estimate of probable bad debts incurred as of the balance sheet date. Management's determination of the adequacy of the allowance is based on an evaluation of the accounts receivable, past collection experience, current economic conditions, volume, growth and composition of the accounts receivable, and other relevant factors. Actual results may differ from these estimates. The allowance is increased by provisions for bad debts charged against income. The allowance for bad debts was $152,250 and $167,550 as of December 31, 2016 and 2015, respectively.

Earned Trade Account

As part of its operations the Company earns trade dollars, which are used to purchase goods and services required in operations. This account is increased principally for service, membership and transaction fees, and is decreased by the Company's purchase of goods and services. An impairment loss is recognized if it becomes apparent that the fair value of the trade dollars in the account is less than the carrying amount, or if it is probable that the Company will not use all of the balance. No impairment was recorded in 2016 or 2015.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using straight line methods over the estimated useful lives of five to thirty-nine years. When property or equipment is sold or retired, the cost and related accumulated depreciation are removed from the balance sheet and the resulting gain or loss is included in the income statement. The costs of repair and maintenance that do not extend or prolong useful lives of assets are included in expense as incurred.

Long-Lived Assets

Impairment losses are recorded on long-lived assets used in operations when indicators of impairment are present and undiscounted cash flows estimated to be generated by those assets are less than assets' carrying amount.

Software Development Costs

Extensive software has been developed to manage and track trade activity and member account balances and calculate fees in the Exchange. Qualifying costs are accounted for in accordance with FASB ASC 350. Accordingly, costs incurred in the planning and post-implementation stages are expensed as incurred, and costs related to development have been capitalized. Qualifying software development costs are included in property and equipment in the consolidated balance sheets and are amortized over their estimated useful life of 60 months.

Goodwill and Membership Lists

Goodwill and membership lists are generated when additional trade exchanges are purchased; and are stated at cost. Membership lists are amortized over the estimated life of ten years.

The Company has adopted FASB ASC 350, which requires that goodwill and intangible assets with indefinite lives be tested annually for impairment. No impairment losses were recorded in 2016 or 2015.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC 740. Under ASC 740, deferred taxes are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred taxes are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740, the effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Concentrations of Risk

Cash

Cash includes deposits at financial institutions with original maturities of three months or less. The Company at times has cash in banks in excess of FDIC insurance limits and places its temporary cash investments with high credit quality financial institutions. At December 31, 2016 and 2015, respectively, the Company had approximately $609,000 and $503,000 in cash balances at financial institutions which were in excess of the FDIC insured limits of $250,000.

Accounts Receivable

The Company grants credit to its customers, all of whom are members of Continental Trade Exchange or INLM CN. Customers are located in or throughout 20 states and in Canada. The Company routinely assesses the financial strength of its customers and, therefore, believes that its accounts receivable credit risk exposure is limited. No one customer represents a material volume of fee revenue or balance of accounts receivable.

Segment Reporting

The Company operates in one segment and, therefore, segment information is not presented.

Advertising

Advertising costs, which are principally included in selling expenses, are expensed as incurred. Advertising expense was $103,588 and $103,971 for the years ended December 31, 2016 and 2015, respectively.

Stock-Based Compensation

The Company measures and recognizes compensation expense for all share-based payment awards made to employees and directors based on estimated fair values, as required by FASB ASC 718.

Common stock, stock options and common stock warrants issued to other than employees or directors are recorded on the basis of their fair value, as required by FASB ASC 505. In accordance with ASC 505, the stock options or common stock warrants are valued using the Black-Scholes option pricing model on the basis of the market price of the underlying common stock on the "valuation date," which for options and warrants related to contracts that have substantial disincentives to non-performance is the date of the contract, and for all other contracts is the vesting date. Expense related to the options and warrants is recognized on a straight-line basis over the shorter of the period over which services are to be received or the vesting period. Where expense must be recognized prior to a valuation date, the expense is computed under the Black-Scholes option pricing model on the basis of the market price of the underlying common stock at the end of the period, and any subsequent changes in the market price of the underlying common stock up through the valuation date is reflected in the expense recorded in the subsequent period in which that change occurs.

Comprehensive Income

FASB ASC 220 establishes rules for reporting and displaying comprehensive income and its components. Comprehensive income is the sum of net income (loss) as reported in the consolidated statements of operations and other comprehensive income transactions as reported in the consolidated statement of changes in stockholders' equity. Other comprehensive income transactions that currently apply to the Company result from unrealized gains or losses on equity investments and from changes in exchange rates used in translating the financial statements of its Canadian subsidiary INLM CN, Inc.

Foreign Currency Translation

The financial statements of the Company's foreign subsidiary have been translated into U.S. dollars in accordance with FASB ASC 830. All balance sheet accounts have been translated using the exchange rate in effect at the balance sheet date. Income statement amounts have been translated using an appropriately weighted average exchange rate for the year. The translation losses resulting from the changes in exchange rates during 2016 and 2015, respectively, have been reported in accumulated other comprehensive income, except for gains and losses resulting from the translation of intercompany receivables and payables, which are included in earnings for the period.

Earnings per Share

Basic and diluted net income (loss) per common share is computed based upon the weighted average common shares outstanding as defined by FASB ASC 260. As of December 31, 2016 and 2015 there were -0- and 20,333 common share equivalents outstanding respectively, which consisted of shares issuable upon the conversion of notes payable.

These shares were not included in the computations of income per share in 2016 and 2015, because their effect was anti-dilutive.

Recent Accounting Pronouncements

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

NOTE 2 - MARKETABLE SECURITIES

The Company has classified certain of its investments as trading securities which are reported at fair value, defined as the last closing price for the listed securities. The unrealized gains and losses which the Company recognizes from its trading securities are included in earnings. The Company also has investments classified as available-for-sale, which are also required to be reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity (net of the effect of income taxes). Fair value is also defined as the last closing price for the listed security.

The cost of equity securities as shown in the accompanying balance sheets and their estimated market value at December 31, 2016 and 2015 are as follows:

	2016	2015
Available for sale securities:		
Cost	$ 116,222	$ 155,443
Unrealized gain	85,391	120,125
Marketable equity securities classified as current	$ 201,613	$ 275,568

NOTE 3 - INTANGIBLE ASSETS, NET

Intangible assets, net for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Membership lists	$ 13,614,353	$ 13,614,353
Accumulated amortization	(13,296,724)	(12,549,680)
Net	$ 317,629	$ 1,064,673
Goodwill	$ 3,482,522	$ 3,482,522

Aggregate amortization expense was $746,612 and $1,009,389 for the years ended December 31, 2016 and 2015, respectively.

Estimated future amortization expense is as follows:

2017	$ 194,487
2018	58,312
2019	20,701
2020	20,701
2021	15,455
thereafter	7,873
	$ 317,629

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following as of December 31, 2016 and 2015:

	2016	2015
Office furniture, equipment, computers and software	$ 1,893,988	$ 1,784,473
Leasehold improvements	271,415	227,862
	2,165,403	2,012,335
Accumulated depreciation	(1,736,767)	(1,689,853)
	$ 428,636	$ 322,482

Depreciation expense during the years ended December 31, 2016 and 2015 was $115,430 and $139,087, respectively.

NOTE 5 - DEBT

A summary of the Company's debt as of December 31, 2016 and 2015:

	2016	2015
Credit Lines		
The Company has credit lines totaling $622,000 with two financial institutions. One of the lines matures in September 2019 and the second has no maturity date. The lines carry interest rates ranging from Bank index plus .75%, currently 4%, (the largest and main line) to 11.25%. The main line has been personally guaranteed by the Chairman, a security interest in the Company's headquarters building owned by the Chairman, CEO and President of the Company, and a security interest in all the assets of the Company. The smaller credit line is unsecured.	$ 100,000	$ 125,000
Other Notes Payable		
Note payable to a financial institution, to fund an equipment purchase. 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. The note is due in August, 2020 and calls for 48 monthly payments of $2,613, including interest at 4.25%.	106,157	-
Notes issued to individuals, due in December 2017, with interest at 8% payable quarterly.	50,000	50,000
Note issued to an individual investor in March 2013, due March 2016. repaid at the due date.	-	11,862
Notes issued to individuals, renewed in February 2017, now due February 2019, interest only payable quarterly at 9% for two years.	275,000	275,000
Notes issued to private individuals for repurchase of shares of Company common stock, with maturity dates ranging from May 2015 to November 2019, monthly payments beginning at $87,369 and decreasing to $39,200 per month during 2016, including interest ranging from 2-6%	749,227	1,159,797

Note payable for release of the stock guarantee on, and the return of, shares of IMS stock. Monthly payments of $10,850, including interest at 7%, began January 2015. The final payment was made in December, 2016.	-	124,895
Total notes payable and long-term debt	1,280,384	1,746,554
Less current portion	615,697	800,052
Notes payable and long-term debt, net of current portion	$ 664,687	$ 946,502

Related Party Notes Payable

	2016	2015
Unsecured notes payable to various executive officers, due between December, 2017 and September, 2019 all carry interest at 8% payable monthly. One note contains a provision under which $200,000 may be redeemed in a 12 month period.	810,000	670,000
Less: Current portion	240,000	20,000
Notes payable and long-term debt, net of current portion	$ 570,000	$ 650,000

Aggregate Maturities

2017	$ 755,697
2018	335,004
2019	979,243
2020	20,440
	$ 2,090,384

As of December 31, 2015, $170,000 of debt could have been converted to 20,333 shares of the Company's common stock, under various conversion privileges. The conversion privileges were removed when the notes were refinanced and renewed in 2016.

NOTE 6 - DEFERRED COMPENSATION

As part of an acquisition, the Company assumed a deferred compensation liability of $2,500 per month for 120 months, payable to a key employee after retirement.

The value of future payments required under the agreement was charged to operations over the period of expected active employment until the employee reached her expected retirement date.

NOTE 7 - INCOME TAXES

Income tax expense (benefit) for the years ended December 31, 2016 and 2015 reflect a higher or lower effective tax rate due to certain expenses that are not deductible for tax purposes, such as 50% of meals and entertainment. The difference between actual and expected tax liability also includes the effects of timing differences in deducting certain expenses such as bad debts, charitable contributions and depreciation, as well as the effects of different financial accounting and tax bases of certain assets.

Income tax expense (benefit) consists of the following components:

	Years Ending December 31	
	2016	**2015**
Federal		
Current	$ 50,298	$ 235,370
Deferred	(91,073)	(224,620)
State and Local		
Current	14,139	53,550
Deferred	(23,292)	(57,288)
	$ (49,928)	$ 7,012

The following table reconciles the reported income taxes and the income taxes that would be computed by applying the Company's normal tax rate to income before taxes for the years ended December 31:

	Years Ended December 31	
	2016	**2015**
Statutory rate applied to earnings before income taxes	$ (31,066)	$ 15,343
Increase (decrease) in income taxes resulting from:		
Deductibility of business meals	6,560	4,093
State tax credits, net	-	(3,000)
Foreign tax credits	(2,927)	(3,292)
Other, net	(22,495)	(6,132)
Tax expense (benefit)	$ (49,928)	$ 7,012

The tax effects of temporary differences that gave rise to significant portions of deferred tax liabilities are as follows:

	December 31	
	2016	2015
Deferred tax assets		
Difference in tax bases of membership lists	$ 475,686	$ 321,451
Deferred income tax liabilities:		
Temporary differences relating to timing of deductions, depreciation and bad debts	106,698	66,831
Net deferred tax asset (liability)	$ 368,988	$ 254,620

NOTE 8 - STOCKHOLDERS' EQUITY

Preferred Stock

The Company has 2,000,000 shares of preferred stock authorized at $0.0001 par value. No preferred shares were issued or outstanding as of December 31, 2016 or 2015.

Purchase-Related Transactions

In January, 2016, in accordance with the last remaining purchase guarantee agreement, IMS repurchased 723 shares of common stock at $30.00 per share using trade dollars (earned trade account receivable), thereby releasing the final $21,702 of the common stock guarantee. The shares were placed in treasury.

Stock Issued as Compensation

In December 2016 and 2015, the board of directors awarded 6,000 shares and 4,000 shares each respectively, to the Chairman, CEO and President of the Company. The shares were valued at $5.10 and $8.00 per share, the market price at the time of the award. The Company recognized compensation expense related to stock grants of $91,800 and $96,000 in the years ended December 31, 2016 and 2015, respectively.

Share Buyback Program

In accordance with the Company's share repurchase plan, the Company purchased 14,204 shares at a cost of $138,852 in 2016 and 14,781 shares at a cost of $96,395 during 2015, via both open market and private transactions. The purchases were funded by both cash payments and, in one instance, the issuance of an $80,000 note payable.

Share retirements

During 2016 and 2015, the Company retired 15,273 and 38,524 shares respectively, acquired at a cost of $144,078 and $320,284 respectively.

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.

As of December 31, 2016 and 2015, there were no options outstanding.

Warrants

No warrants were issued in the current year.

No warrants were outstanding as of December 31, 2016.

Stock Guarantee Liability

The stock guarantee liability was reduced by $21,702 during 2016, thereby retiring the liability, as described above.

Other Comprehensive Income (Loss)

ASC 220 establishes rules for reporting and displaying of comprehensive income (loss) and its components. Comprehensive income (loss) is the sum of the net income (loss) as reported in the consolidated statements of operations and other comprehensive income (loss) transactions. Other comprehensive income (loss) transactions that currently apply to the Company result from unrealized gains or losses on equity investments and from changes in exchange rates used in translating the financial statements of its wholly owned subsidiary in Toronto, Canada. The total of these various items was $18,455 and $(18,147) in 2016 and 2015, respectively.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Company leases its executive offices and principal operating facilities in New Berlin, Wisconsin from Glendale Investments, LLC, a Wisconsin limited liability company which is owned by officers and stockholders of the Company. The lease was renewed for a term of 2 years beginning November 1, 2016 and calls for monthly rent of $12,976, with annual increases of 3%, plus operating costs. It is expected that the lease will be renewed on similar terms at expiration. 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. Total payments in 2016 and 2015 were $155,713 and $129,104, respectively.

See Note 5 as to related party debt.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Leases

The Company has various leases for office facilities and vehicles which are classified as operating leases, and which expire at various times through 2020. Total rent expense for all operating leases for 2016 and 2015, is summarized as follows:

	2016	**2015**
Related party leases	$ 155,713	$ 190,088
Office leases	449,029	401,046
Vehicle leases	6,672	6,672
	$ 611,414	$ 597,806

Future minimum lease commitments as of December 31, 2016, are summarized as follows:

Year ending December 31	**Office Facilities**	**Vehicles**
2017	$ 505,283	$ 3,892
2018	301,486	-
2019	88,615	-
2020	26,923	-
2021	-	-
Thereafter	-	-
	$ 926,307	$ 3,892

Employment Agreements

The Company has employment agreements with the executive officers of the Company, which renew automatically each year. Key components of these agreements include involuntary termination clauses and change of control provisions, each calling for lump sum payments of two to five years' salary per covered officer. These agreements automatically renewed in January 2017 and 2016.

Standby Letter of Credit

The Company has an outstanding stand-by letter of credit with a financial institution in the amount of $65,000 related to an office lease security deposit. This letter of credit expires on August 31, 2017.

Legal Matters

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.

NOTE 11 - SUBSEQUENT EVENTS

In February, 2017, the Company issued notes payable to two officers for $50,000 each. The notes are due in February, 2019, and call for quarterly payments of interest only at 8%.

During the first two months of 2017, the Company repurchased 18,082 shares of common stock for $200,319 in both open market and private transactions, paying $75,515 in cash, $10,000 in trade dollars, and issuing a note payable in the amount of $114,804.