

**COINS 'N THINGS, INC.**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2017 AND 2016**  
**(WITH INDEPENDENT AUDITORS' REPORT THEREON)**

**COINS 'N THINGS, INC.**  
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**DECEMBER 31, 2017 AND 2016**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Coins 'N Things, Inc.  
Bridgewater, Massachusetts

We have audited the accompanying financial statements of Coins 'N Things, Inc. (a Massachusetts S corporation), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's responsibility for the financial statements**

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

### **Auditors' responsibility**

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coins 'N Things, Inc. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis-of-matter**

As discussed in Note 14 to the financial statements, the Company uses the last in, first out (LIFO) method to value inventory and report its earnings. If the Company had used the first in, first out (FIFO) inventory method, the Company's reported inventory and earnings (losses) would have been \$63,323,032 and (\$875,580), respectively, as of and for the year ended December 31, 2017 and \$58,819,692 and \$35,037, respectively, as of and for the year ended December 31, 2016. Our opinion is not modified with respect to that matter.

*DiSanto, Priest + Co.*

Warwick, Rhode Island  
April 5, 2018

**BALANCE SHEET  
DECEMBER 31, 2017 AND 2016**

**ASSETS**

	<b>2017</b>	<b>2016</b>
<b>Current assets:</b>		
Cash	\$ 747,150	\$ -
Accounts receivable	4,566,155	2,917,414
Inventories	43,801,236	43,009,937
Other current assets	710,110	233,988
Due from broker	2,482,017	7,078,830
Prepaid inventories	<u>1,202,127</u>	<u>386,011</u>
<b>Total current assets</b>	<u>53,508,795</u>	<u>53,626,180</u>
<b>Property and equipment:</b>		
Furniture and equipment	6,097,366	4,130,971
Leasehold improvements	5,098,879	5,096,939
Equipment and software	3,100,162	3,093,324
Motor vehicles	205,634	205,634
Construction in progress	<u>2,023,589</u>	<u>2,016,423</u>
	16,525,630	14,543,291
Accumulated depreciation	<u>(6,278,287)</u>	<u>(5,520,367)</u>
	<u>10,247,343</u>	<u>9,022,924</u>
<b>Other assets:</b>		
Due from affiliates	1,705,585	2,374,827
Due from shareholder	-	634,214
Intangible assets, net	<u>6,000</u>	<u>10,000</u>
	<u>1,711,585</u>	<u>3,019,041</u>
<b>Total assets</b>	<u>\$ 65,467,723</u>	<u>\$ 65,668,145</u>

See accompanying notes and independent auditors' report.

## LIABILITIES AND STOCKHOLDERS' EQUITY

	2017	2016
<b>Current liabilities:</b>		
Bank overdraft	\$ -	\$ 287,591
Line of credit	40,121,602	41,176,792
Accounts payable	3,892,655	327,283
Deferred income	1,048,288	1,238,433
Accrued expenses	599,055	811,571
Shareholders' distributions payable	607,985	607,985
Due to affiliate	1,289,681	258,743
Notes payable	<u>-</u>	<u>2,096,465</u>
<b>Total current liabilities</b>	<u>47,559,266</u>	<u>46,804,863</u>
<b>Long-term liabilities:</b>		
Loans payable, shareholders	2,441,291	2,077,031
Due to affiliate	<u>2,469,771</u>	<u>2,640,000</u>
<b>Total long-term liabilities</b>	<u>4,911,062</u>	<u>4,717,031</u>
<b>Stockholders' equity:</b>		
Common stock	152,325	152,325
Retained earnings	<u>12,845,070</u>	<u>13,993,926</u>
	<u>12,997,395</u>	<u>14,146,251</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 65,467,723</u>	<u>\$ 65,668,145</u>

**COINS 'N THINGS, INC.**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
Sales	\$ 3,213,901,966	\$ 4,212,162,574
Cost of goods sold	<u>3,211,437,587</u>	<u>4,209,010,982</u>
Gross profit	<u>2,464,379</u>	<u>3,151,592</u>
Operating expenses - Schedule 1:		
Personnel costs	4,781,300	5,774,344
Facility costs	2,006,808	2,568,371
Other expenses	<u>856,449</u>	<u>992,647</u>
	<u>7,644,557</u>	<u>9,335,362</u>
Operating loss	<u>(5,180,178)</u>	<u>(6,183,770)</u>
Other income (expense):		
Interest income	345,825	410,241
Interest expense	(191,440)	(258,492)
Interest expense, shareholders	(39,148)	(85,233)
Other income	<u>597,320</u>	<u>606,677</u>
	<u>712,557</u>	<u>673,193</u>
Loss before provision for income taxes	(4,467,621)	(5,510,577)
Provision for income taxes	<u>(67,988)</u>	<u>(130,000)</u>
Net loss	<u>\$ (4,535,609)</u>	<u>\$ (5,640,577)</u>

See accompanying notes and independent auditors' report.

**COINS 'N THINGS, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	Number of Shares of Common Stock					Total
	Authorized	Issued	Outstanding	Common Stock	Retained Earnings	Stockholders' Equity
Balance, December 31, 2015	12,500	2,500	2,500	\$ 152,325	\$ 26,328,202	\$ 26,480,527
Net loss for the year ended December 31, 2016	-	-	-	-	(5,640,577)	(5,640,577)
Shareholders' distributions	-	-	-	-	(6,693,699)	(6,693,699)
Balance, December 31, 2016	12,500	2,500	2,500	152,325	13,993,926	14,146,251
Net loss for the year ended December 31, 2017	-	-	-	-	(4,535,609)	(4,535,609)
Shareholders' contributions	-	-	-	-	3,386,753	3,386,753
Balance, December 31, 2017	12,500	2,500	2,500	\$ 152,325	\$ 12,845,070	\$ 12,997,395

See accompanying notes and independent auditors' report.



**COINS 'N THINGS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities:</b>		
Net loss	<u>\$ (4,535,609)</u>	<u>\$ (5,640,577)</u>
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	761,920	711,834
Shareholder interest expense	-	85,233
(Increase) decrease in operating assets:		
Accounts receivable	(1,648,741)	474,993
Inventories	(791,299)	(15,056,834)
Other current assets	(476,122)	659,248
Due from broker	4,596,813	(6,743,277)
Prepaid inventories	(816,116)	23,303
Increase (decrease) in operating liabilities:		
Accounts payable	3,565,372	14,565
Accrued expenses	(212,516)	(1,000,573)
Deferred income	<u>(190,145)</u>	<u>466,012</u>
 Total adjustments	 <u>4,789,166</u>	 <u>(20,365,496)</u>
 Net cash provided by (used in) operating activities	 <u>253,557</u>	 <u>(26,006,073)</u>
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(1,982,339)	(4,457,369)
Due to/from affiliates, net	<u>669,242</u>	<u>(692,250)</u>
 Net cash used in investing activities	 <u>(1,313,097)</u>	 <u>(5,149,619)</u>

**COINS 'N THINGS, INC.**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>Cash flows from financing activities:</b>		
Bank overdraft	(287,591)	(575,112)
Borrowings from stockholders	998,474	1,981,012
Net borrowings from affiliate	860,709	2,777,464
Contributions from (distributions to) shareholders, net	3,386,753	(7,174,122)
Proceeds from (repayments of) notes payable	(2,096,465)	2,096,465
Net (repayments) borrowings on line of credit	<u>(1,055,190)</u>	<u>32,049,985</u>
Net cash provided by financing activities	<u>1,806,690</u>	<u>31,155,692</u>
Net increase in cash and cash equivalents	747,150	-
Cash, beginning	<u>-</u>	<u>-</u>
Cash, ending	<u>\$ 747,150</u>	<u>\$ -</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the periods for:		
Interest	<u>\$ 226,666</u>	<u>\$ 254,712</u>
Income taxes	<u>\$ 292,981</u>	<u>\$ 227,451</u>
<b>Supplemental schedule of non-cash investing and financing activities:</b>		
Shareholders' distributions payable	<u>\$ 607,985</u>	<u>\$ 607,985</u>

See accompanying notes and independent auditors' report.

**COINS 'N THINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**1. Description of business**

Coins 'N Things, Inc. (the "Company") is engaged in the business of selling, at wholesale, precious metals (mainly bullion coins and bars). The Company sells products to customers in diversified geographic regions and, therefore, has no significant concentrations of credit. The Company continuously evaluates the credit worthiness of its customers.

**2. Summary of significant accounting policies**

**Income taxes**

Effective August 27, 2000, the Company, with the consent of its shareholder, elected to be treated as an S corporation. The net income or loss of an S corporation is reflected on the individual income tax return of the shareholder. The Company is not subjected to federal income tax at the corporate level. The State of Massachusetts imposes a two-part tax on S corporations based on the value of tangible property owned by the company and the taxable income reported by the company for the year.

The Company has adopted the FASB ASC topic "Accounting for Uncertainty in Income Taxes", which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. As of December 31, 2017, the Company's tax returns generally remain open for examination for three years from the date filed with each taxing jurisdiction. At December 31, 2017, management believes no such provisions for uncertain tax positions are necessary.

**Cash and cash equivalents**

For purposes of financial statement presentation, the Company considers all highly liquid instruments with a maturity of three months or less to be cash.

**Inventories**

Inventories, consisting of gold, silver, platinum, and palladium, are stated using the last-in, first-out (LIFO) method of valuation. Coin premiums are stated at the lower of cost (weighted average) or net realizable value. Rare coins and numismatic coins are stated at the lower of cost or net realizable value using the first-in, first-out (FIFO) method of valuation.

**Property, equipment and depreciation**

Property and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the assets by straight-line and accelerated methods for both financial reporting and income tax purposes. Furniture, equipment, store equipment and motor vehicles are depreciated using lives ranging from five to ten years; leasehold improvements are amortized primarily over lives of ten to thirty-nine years; software and customer lists are amortized using lives of three and fifteen years, respectively. Depreciation expense for the years ended December 31, 2017 and 2016 was \$757,920 and \$707,834, respectively.

**COINS 'N THINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**2. Summary of significant accounting policies (continued)**

**Long-lived assets**

The Company accounts for long-lived assets in accordance with the provisions of *Impairment on Disposal of Long-Lived Assets*, a topic of the FASB ASC, which requires recognition of an impairment loss only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows. An impairment loss is measured as the difference between the carrying amount and fair value of the asset.

**Capitalization of interest**

The Company capitalizes interest cost incurred on funds used to construct property and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was \$0 and \$75,440 for the years ended December 31, 2017 and 2016, respectively.

**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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Compensated absences**

Employees of the Company are entitled to compensated absences depending on job classifications, length of service and other factors. It is impracticable to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements.

**Deferred income**

Customer prepayments are recognized as unearned revenue until the merchandise is shipped and/or legal title has been transferred to the customer by the Company.

**Consignor advances and payables**

Consignor advances are cash advances on inventory consigned from a third party for sale by the Company at a later date at which time the advance will be deducted from the proceeds due to the consignors. Consignor payables represent amounts due to consignors for the sale of their inventory by the Company. Such amounts do not bear interest.

**Revenue recognition**

The Company records sales of precious metals upon shipment and transfer of title. The Company records revenues from its financing activities at the end of the month. Commodity futures and forwards contract transactions are recorded at fair value on the trade dates. Open

**COINS 'N THINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**2. Summary of significant accounting policies (continued)**

**Revenue recognition (continued)**

futures and forwards contracts are reflected in accounts payable and consignor payables in the balance sheet at the difference between the original contract values and the market values; or at fair value. The change in unrealized gains (losses) on open contracts from one period to the next is reflected in net (gains) losses on derivative instruments, which is a component of cost of goods sold in the statements of operations. Financing revenue is recorded over the terms of the related secured loans receivable and consists of interest and related fees.

The Company accounts for its metals and sales contracts using settlement date accounting. Pursuant to such accounting, the Company recognizes the sales or purchases of the metals at the settlement date. During the period between trade and settlement dates, the Company has essentially entered into a forward contract that meets the definition of a derivative in accordance with the *Derivatives and Hedging* Topic of the ASC. The Company records the derivatives at the trade date with corresponding unrealized gains or losses which are reflected in the cost of goods sold in the statements of operations. The Company adjusts the carrying value of the derivatives to fair value on a daily basis until the transactions are settled. Sales which are physically settled are recognized at the gross amount in the statements of operations.

**Receivables**

Customer trade receivables represent short-term, non-interest bearing amounts due from metal sales and in certain situations are secured by the related metals stored with the Company. The Company carries its trade receivables at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its trade receivables and establishes an allowance for doubtful accounts, when deemed necessary, based on a history of past write-offs and collections and current credit conditions. Trade receivables are written off if no payments are received after reasonable attempts to collect have been made. The Company's policy generally requires customers to prepay their sales order before merchandise is shipped. Management has evaluated open accounts receivable and believe no reserve for bad debts is necessary at December 31, 2017 and 2016.

Wholesale trade advances represent advances of refined materials to customers, secured by unrefined materials received from the customer. These advances are limited to a portion of the unrefined materials received. These advances are unsecured, short-term, non-interest bearing advances made to wholesale metals dealers and government mints.

**Credit quality of financing receivables and allowance for credit losses**

The Company applies a systematic methodology to determine the allowance for credit losses for finance receivables. Based upon the Company's analysis of credit losses and risk factors, secured loans receivable are its sole portfolio segment. This is due to the fact that all loans are very similar in terms of secured material, method of initial and ongoing collateral value determination and assessment of loan to value determination. Typically, the Company's finance receivables within its portfolio have similar credit risk profiles and methods for assessing and monitoring credit risk.

**COINS 'N THINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**2. Summary of significant accounting policies (continued)**

**Impaired loans**

A loan is considered impaired if it is probable, based on current information and events, that the Company will be unable to collect all amounts due according to the contractual terms of the loan. Secured loans receivable are reviewed for impairment and include loans that are past due, non-performing or in bankruptcy. Recognition of income is suspended and the loan is placed on non-accrual status when management determines that collection of future income is not probable. Accrual is resumed, and previously suspended income is recognized, when the loan becomes contractually current and/or collection doubts are removed. Cash receipts on impaired loans are recorded first against the receivable and then to any unrecognized income.

All loans are contractually subject to margin call. As a result, loans typically do not become impaired due to the fact the Company has the ability to require margin calls which are due upon receipt. Per the terms of the loan agreement, the Company has the right to rapidly liquidate the loan collateral in the event of a default. The material is highly liquid and easily sold to pay off the loan. Such circumstances would result in a short term impairment that would typically result in full repayment of the loan and fees due to the Company. There were no impaired loans as of December 31, 2017.

**Fair value of financial instruments**

FASB ASC topic, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not assumptions specific to the entity.

**Cash and cash equivalents, accounts receivable, other receivables, prepaid expenses, accounts payable, accrued liabilities and other payables** - The carrying amounts reported in the balance sheets for these items approximate fair value due to the short maturity of these financial instruments.

**Hedging instruments** - Hedging instruments are carried at their quoted market prices, which approximate fair value.

**Loan payable and long term debt** - The fair value of loan payable and long term debt is estimated based on the present value of cash flows required under the loan and debt, using a discounting rate based on interest rates for similar debt instruments. The carrying amounts approximate fair value.

**Derivative instruments and hedging activities**

The Company manages its precious metal price volatility exposure on purchases and sales in its business through the use of metals commodity futures contracts traded on national futures exchanges or forward contracts with only major creditworthy financial institutions. In

**COINS 'N THINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**2. Summary of significant accounting policies (continued)**

**Derivative instruments and hedging activities (continued)**

accordance with FASB ASC topic, *Derivatives and Hedging*, the Company designates the options and forward contracts as fair value hedges, which are recorded on the balance sheet at fair value as hedging instruments in other current and non-current assets and liabilities. The derivative financial instruments are not held for trading purposes.

The Company formally documents, at the inception of the hedge, the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the item, or the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring ineffectiveness. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

The cost of derivatives are reflected within cost of sales and are reported at fair value. Changes in fair value are included in current net income along with the offsetting gain or loss on the hedge items attributable to the risk being hedged. The Company reports cash flows arising from derivative instruments designed as fair value hedges consistent with the classification of cash flows from the underlying hedged item that these derivatives are hedging. Accordingly, the cash flows associated with the derivative instruments are classified in cash flows from operating activities in the statement of cash flows.

**Advertising**

Advertising costs, which are included in other expenses, are expensed as incurred. Advertising expense was \$4,362 and \$2,250 for the years ended December 31, 2017 and 2016, respectively.

**Subsequent events**

The Company evaluated subsequent events through April 5, 2018, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2017.

**3. Line of credit**

The Company has secured a loan agreement with Wells Fargo Bank, N.A. Effective December 15<sup>th</sup> through January 15<sup>th</sup> of each year, the credit limit is \$55,000,000. The credit limit is then reduced to \$40,000,000 for the period from January 16<sup>th</sup> through December 14<sup>th</sup> of each year. The line of credit matures on September 30, 2018.

The revolving line of credit agreement is subject to a borrowing formula, payable on demand, bearing interest at the greater of prime or the one-month LIBOR rate plus 1.5%. The rate was 4.50% and 3.75% at December 31, 2017 and 2016, respectively. The note is secured by a first security interest in substantially all assets of the Company, the personal guarantee of the majority stockholder and his wife, and the corporate guarantee of CNT Lending, Inc. and CNT Depository, Inc., related parties. The Company is subject to certain financial and non-financial

**COINS 'N THINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**3. Line of credit (continued)**

covenants under the revolving line of credit agreement. On September 28, 2016, the loan was amended whereby financial covenant calculations are now inclusive of the financial results of related parties, CNT Lending, Inc. and CNT Depository, Inc. At December 31, 2017 the Company was in compliance with those covenants.

At December 31, 2017 and 2016, the balance outstanding on the line of credit was \$40,121,602 and \$41,176,792, respectively.

**4. Notes payable**

Notes payable at December 31 consists of the following current obligations:

	<b>2017</b>	<b>2016</b>
Note payable, renewable quarterly, unrelated party, unsecured, principal due quarterly with interest calculated monthly at prime less 1%. At December 31, 2016, prime was 3.75%. The lender cannot request payback of the loan prior to the end of the term.	\$ -	\$ 499,229
Note payable, renewable quarterly, unrelated party, unsecured, principal due quarterly with interest calculated monthly at prime less 1%. At December 31, 2016, prime was 3.75%. The lender cannot request payback of the loan prior to the end of the term.	-	12,104
Note payable, renewable quarterly, unrelated party, unsecured, principal due quarterly with interest calculated monthly at prime plus 1%. At December 31, 2016, prime was 3.75%. The lender cannot request payback of the loan prior to the end of the term.	-	413,085
Note payable, renewable quarterly, unrelated party, unsecured, principal due quarterly with interest calculated monthly at prime plus 1%. At December 31, 2016, prime was 3.75%. The lender cannot request payback of the loan prior to the end of the term.	-	165,642
Note payable, renewable quarterly, unrelated party, unsecured, principal due quarterly with interest calculated monthly at prime. At December 31, 2016, prime was 3.75%. The lender cannot request payback of the loan prior to the end of the term.	-	605,366
Note payable, renewable quarterly, unrelated party, unsecured, principal due quarterly with interest calculated monthly prime less 1%. At December 31, 2016, prime was 3.75%. The lender cannot request payback of the loan prior to the end of the term.	-	11,172



**COINS 'N THINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**4. Notes payable (continued)**

	<b>2017</b>	<b>2016</b>
Note payable, renewable quarterly, unrelated party, unsecured, principal due quarterly with interest calculated monthly at prime less 1%. At December 31, 2016, prime was 3.75%. The lender cannot request payback of the loan prior to the end of the term.	-	114,966
Note payable, renewable quarterly, unrelated party, unsecured, principal due quarterly with interest calculated monthly at prime less 1%. At December 31, 2016, prime was 3.75%. The lender cannot request payback of the loan prior to the end of the term.	-	152,494
Note payable, renewable quarterly, unrelated party, unsecured, principal due quarterly with interest calculated monthly at prime plus 1%. At December 31, 2016, prime was 3.75%. The lender cannot request payback of the loan prior to the end of the term.	<u>-</u>	<u>122,407</u>
	<u>\$ -</u>	<u>\$ 2,096,465</u>

**5. Capital structure**

Common shares are voting and non-voting and distributions are paid at the discretion of the Board of Directors. The Company has first right of refusal on the transfer of all shares of common stock.

**6. Concentration of credit risk**

Assets that potentially subject the Company to concentrations of credit risk consist principally of receivables, loans of inventory to customers, secured loan receivables, and inventory hedging transactions. Concentration of credit risk with respect to receivables is limited due to the large number of customers composing the Company's customer base, the geographic dispersion of the customers, and the collateralization of certain portions of receivable balances. Based on an assessment of credit risk, the Company typically grants collateralized credit to its customers.

Credit risk with respect to loans of inventory to customers is minimal, as substantially all amounts are secured by the underlying metals. The Company enters into inventory hedging transactions, principally utilizing metals commodity futures contracts traded on national futures exchanges or forwards contracts with only major creditworthy financial institutions. Substantially all of these transactions are secured by the underlying metals positions.

The standard insurance amount at all Federal Deposit Insurance Corporation (FDIC) insured institutions is \$250,000 per depositor, per insured bank for each account ownership category. Accordingly, at December 31, 2017 and 2016, the Company's uninsured cash balances were \$641,713 and \$85,511, respectively.

**COINS 'N THINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**7. Related party transactions**

- a. During each of the years ended December 31, 2017 and 2016, the Company leased its facilities in Bridgewater, Massachusetts from three related parties; Oliari Co., LLC, CNT Depository, Inc., and Bridgewater Sports Complex, Inc. For 2017 and 2016, the combined monthly rent was \$34,200 and \$84,200, respectively (\$410,400 and \$1,010,400, annually). At December 31, 2017 and 2016, \$123,200 and \$0 in prepaid rent was included in other assets. All rental agreements have an option to renew annually.
- b. Due from affiliates consists of unsecured note receivables between the Company and affiliated parties. During 2017 and 2016, one note bore interest at 1%. Accordingly, \$17,767 and \$16,724 is included in interest income at December 31, 2017 and 2016, respectively. Due from affiliates at December 31, 2017 and 2016 was \$1,705,585 and \$2,374,827, respectively.
- c. At December 31, 2016, the Company had an amount due from a shareholder of \$634,214 which was repaid during 2017. Interest on the above loan was set at 1.73% as of December 31, 2016, and through repayment date.
- d. Included in current liabilities at December 31, 2017 and 2016, are unsecured, non-interest bearing note payables to affiliates of \$1,289,681 and \$258,743, respectively.
- e. On December 29, 2016, the Company secured note payables due to two affiliates. The notes bear interest at 1% and are payable on demand. During 2017, the Company repaid one of the two loans. Amounts due at December 31, 2017 and 2016 totaled \$2,469,771 and \$2,640,000, respectively.
- f. During 2017 and 2016, the Company sold and purchased inventory, and provided general and administrative services to a related party, Bay Precious Metals, Inc. Total inventory sales to, and purchases from, Bay Precious Metals, Inc. for the year ended December 31, 2017 amounted to approximately \$43,000,000 and \$424,000, respectively. Total inventory sales to, and purchases from, Bay Precious Metals, Inc. for the year ended December 31, 2016 amounted to approximately \$91,000,000 and \$3,000,000, respectively. Included in accounts receivable at December 31, 2017 and 2016 is \$356,781 and \$0, respectively, due from Bay Precious Metals, Inc. Included in accounts payable at December 31, 2017 and 2016 is \$5,418 and \$1,231, respectively, due to Bay Precious Metals, Inc. The management fee earned by the Company for providing general and administrative services to Bay Precious Metals, Inc. in 2017 and 2016 was \$414,056 and \$455,755, respectively, which is included in other income for the years ended December 31, 2017 and 2016.
- g. During the years ended December 31, 2017 and 2016, the Company subleased a portion of its facilities in Bridgewater, Massachusetts to a related party, CNT Depository, Inc. The monthly rent is \$12,500 and the rent agreement calls for yearly rent of \$150,000. The rental agreement has an option to renew annually. Rental income is included in other income for each of the years ended December 31, 2017 and 2016 was \$150,000.

**COINS 'N THINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**7. Related party transactions (continued)**

- h. At December 31, 2017 and 2016, respectively, the Company had amounts due to shareholders of \$2,441,291 and \$2,077,031. These are non-secured loans which bore interest at 1.50% and 4.50% as of December 31, 2017 and 2016, respectively.
- i. During 2017 and 2016, the Company engaged in the purchase and sale of wholesale metal with shareholders. With such transactions, management complies with Company policy of limiting price volatility through fair value hedges, as described in Note 2.

**8. Employee benefit plans**

The Company has a 401(k) Safe Harbor retirement plan covering substantially all employees who have completed at least one year of service (defined as one thousand hours of service) and met minimum age requirements (21 years old). The Company may make a discretionary contribution under the profit sharing agreement. For the years ended December 31, 2017 and 2016, contributions to the plan aggregated \$112,632 and \$140,582, respectively. The Company has accrued all unpaid contributions as of the balance sheet date.

**9. Major suppliers**

During the year ended December 31, 2017, the Company had two major vendors which supplied approximately 70% of inventory purchases. During the year ended December 31, 2016, the Company had three major vendors which supplied approximately 69% of inventory purchases. At December 31, 2017 and 2016, these vendors had outstanding accounts payable balances of \$0.

**10. Major customers**

The Company had two major customers which comprised approximately 69% of the total sales for the year ended December 31, 2017. The Company had three major customers which comprised approximately 67% of the total sales for the year ended December 31, 2016. At December 31, 2017 and 2016, these customers had outstanding accounts receivable balances of \$0.

**11. Fair value measurements**

FASB ASC topic “*Fair Value Measurements*”, specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with the FASB ASC topic, the following summarizes the fair value hierarchy:

Level 1 Inputs—Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 Inputs—Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

**COINS 'N THINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**11. Fair value measurements (continued)**

Level 3 Inputs—Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

FASB ASC requires the use of observable market data, when available, in making fair value measurements.

When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2017.

**Hedging instruments** - The estimated fair values are obtained from a generally recognized source or the most recent closing bid quotation from such a source, plus accrued principal and/or interest to the extent not included therein. The hedging instruments are recorded as recurring Level 1.

The Company uses derivative financial instruments for purposes other than speculative trading to hedge against market fluctuations in precious metal prices that affect the Company's inventory. Derivatives resulted in losses of \$289,389 and gains of \$4,573,562 being recognized for the years ended December 31, 2017 and 2016, respectively. Due from broker on the Company's balance sheet includes margin deposits as well as futures contracts equity.

**12. Common stock**

The following shares of common stock without par value have been authorized and are issued and outstanding by the Company as of December 31, 2017 and 2016:

Common stock, no par value, 12,500 shares authorized, 2,500 shares issued and 2,500 shares outstanding.

	<b>Authorized</b>	<b>Outstanding</b>
Class A, voting	1,250	160
Class B, nonvoting	11,250	2,340

**COINS N' THINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**13. Intangible assets**

	2017		2016	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
<b>Amortized intangibles:</b>				
Finance charges	\$ -	\$ -	\$ 75,310	\$ 75,310
Customer lists	<u>60,000</u>	<u>54,000</u>	<u>60,000</u>	<u>50,000</u>
Total	<u>\$ 60,000</u>	<u>\$ 54,000</u>	<u>\$ 135,310</u>	<u>\$ 125,310</u>
<b>Aggregate amortization:</b>				
Expense	<u>\$ 4,000</u>		<u>\$ 4,000</u>	
<b>Estimated amortization expense:</b>				
For the years ending:				
December 31, 2018		\$ 4,000		
December 31, 2019		<u>2,000</u>		
		<u>\$ 6,000</u>		

**14. Effect of using LIFO**

As disclosed in Note 2, inventories are valued using the LIFO method. If the FIFO method had been used, the statement of operations, balance sheet, and cash flow statement would have reported the following amounts:

	<b>Statement of Operations</b>		
	<b>For the year ended December 31, 2017</b>		
	As computed under FIFO	As reported under LIFO	Effect of Change
Sales	\$ 3,213,901,966	\$ 3,213,901,966	\$ -
Cost of goods sold	3,207,725,546	3,211,437,587	(3,712,041)
Operating expenses	7,644,557	7,644,557	-
Other income	<u>712,557</u>	<u>712,557</u>	<u>-</u>
Loss before provision for income taxes	(755,580)	(4,467,621)	(3,712,041)
Provision for income taxes	<u>120,000</u>	<u>67,988</u>	<u>52,012</u>
Net loss	<u>\$ (875,580)</u>	<u>\$ (4,535,609)</u>	<u>\$ 3,660,029</u>

**COINS 'N THINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**14. Effect of using LIFO (continued)**

	<b>Balance Sheet December 31, 2017</b>		
	<b>As computed under FIFO</b>	<b>As reported under LIFO</b>	<b>Effect of Change</b>
<b>Assets:</b>			
Cash	\$ 747,150	\$ 747,150	\$ -
Accounts receivable	4,566,155	4,566,155	-
Inventories	63,323,032	43,801,236	(19,521,796)
Other current assets	710,110	710,110	-
Due from broker	2,482,017	2,482,017	-
Prepaid inventories	<u>1,202,127</u>	<u>1,202,127</u>	<u>-</u>
Total current assets	73,030,591	53,508,795	(19,521,796)
Property and equipment, net	10,247,343	10,247,343	-
Due from affiliates	1,705,585	1,705,585	-
Intangible assets, net	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Total assets	<u>\$84,989,519</u>	<u>\$65,467,723</u>	<u>\$(19,521,796)</u>
<b>Liabilities and stockholders' equity:</b>			
Line of credit	\$40,121,602	\$40,121,602	\$ -
Accounts payable	3,892,655	3,892,655	-
Deferred income	1,048,288	1,048,288	-
Accrued expenses	651,067	599,055	(52,012)
Shareholders distributions payable	8,416,703	607,985	(7,808,718)
Due to affiliate	1,289,681	1,289,681	-
Loans payable, shareholders	2,441,291	2,441,291	-
Due to affiliate	<u>2,469,771</u>	<u>2,469,771</u>	<u>-</u>
Total liabilities	<u>\$60,331,058</u>	<u>\$52,470,328</u>	<u>\$(7,860,730)</u>
Common stock	\$ 152,325	\$ 152,325	\$ -
Retained earnings	<u>24,506,136</u>	<u>12,845,070</u>	<u>(11,661,066)</u>
Total stockholders' equity	<u>\$24,658,461</u>	<u>\$12,997,395</u>	<u>\$(11,661,066)</u>
Total liabilities and stockholders' equity	<u>\$84,989,519</u>	<u>\$ 65,467,723</u>	<u>\$(19,521,796)</u>

**COINS 'N THINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**14. Effect of using LIFO (continued)**

**Statement of Cash Flows**  
**For the year ended December 31, 2017**

	As computed under FIFO	As reported under LIFO	Effect of Change
Net loss	\$ (875,580)	\$ (4,535,609)	\$ 3,660,029
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	761,920	761,920	-
(Increase) decrease in operating assets:			
Accounts receivable	(1,648,741)	(1,648,741)	-
Inventories	(4,503,340)	(791,299)	(3,712,041)
Other current assets	(476,122)	(476,122)	-
Due from broker	4,596,813	4,596,813	-
Prepaid inventories	(816,116)	(816,116)	-
Increase (decrease) in operating liabilities:			
Accounts payable	3,565,372	3,565,372	-
Accrued expenses	(160,504)	(212,516)	52,012
Deferred income	(190,145)	(190,145)	-
Total adjustments	<u>1,129,137</u>	<u>4,789,166</u>	<u>(3,660,029)</u>
Net cash provided by operating activities	<u>253,557</u>	<u>253,557</u>	<u>-</u>
Acquisition of property and equipment	(1,982,339)	(1,982,339)	-
Due to/from affiliates, net	<u>669,242</u>	<u>669,242</u>	<u>-</u>
Net cash used in investing activities	<u>(1,313,097)</u>	<u>(1,313,097)</u>	<u>-</u>
Bank overdraft	(287,591)	(287,591)	-
Borrowings from stockholders	998,474	998,474	-
Net borrowings from affiliate	860,709	860,709	-
Contributions from shareholders, net	3,386,753	3,386,753	-
Repayments of notes payable	(2,096,465)	(2,096,465)	-
Net repayments on line of credit	<u>(1,055,190)</u>	<u>(1,055,190)</u>	<u>-</u>
Net cash provided by financing activities	<u>1,806,690</u>	<u>1,806,690</u>	<u>-</u>
Net increase in cash	747,150	747,150	-
Cash, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Cash, ending	<u>\$ 747,150</u>	<u>\$ 747,150</u>	<u>\$ -</u>

**COINS 'N THINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**14. Effect of using LIFO (continued)**

**Statement of Operations**  
**For the year ended December 31, 2016**

	<b>As computed under FIFO</b>	<b>As reported under LIFO</b>	<b>Effect of Change</b>
Sales	\$ 4,212,162,574	\$ 4,212,162,574	\$ -
Cost of goods sold	4,203,295,368	4,209,010,982	(5,715,614)
Operating expenses	9,335,362	9,335,362	-
Other income	<u>673,193</u>	<u>673,193</u>	<u>-</u>
Income (loss) before provision for income taxes	205,037	(5,510,577)	(5,715,614)
Provision for income taxes	<u>170,000</u>	<u>130,000</u>	<u>40,000</u>
Net income (loss)	<u>\$ 35,037</u>	<u>\$ (5,640,577)</u>	<u>\$ 5,675,614</u>

**Balance Sheet**  
**December 31, 2016**

	<b>As computed under FIFO</b>	<b>As reported under LIFO</b>	<b>Effect of Change</b>
<b>Assets:</b>			
Accounts receivable	\$ 2,917,414	\$ 2,917,414	\$ -
Inventories	58,819,692	43,009,937	(15,809,755)
Other current assets	233,988	233,988	-
Due from broker	7,078,830	7,078,830	-
Prepaid inventories	<u>386,011</u>	<u>386,011</u>	<u>-</u>
Total current assets	69,435,935	53,626,180	(15,809,755)
Property and equipment, net	9,022,924	9,022,924	-
Due from affiliates	2,374,827	2,374,827	-
Due from shareholder	634,214	634,214	-
Intangible assets, net	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total assets	<u>\$ 81,477,900</u>	<u>\$ 65,668,145</u>	<u>\$ (15,809,755)</u>
<b>Liabilities and stockholders' equity:</b>			
Bank overdraft	\$ 287,591	\$ 287,591	\$ -
Line of credit	41,176,792	41,176,792	-
Accounts payable	327,283	327,283	-
Deferred income	1,238,433	1,238,433	-
Accrued expenses	851,571	811,571	(40,000)
Shareholders distributions payable	6,931,887	607,985	(6,323,902)



**COINS 'N THINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**14. Effect of using LIFO (continued)**

**Balance Sheet (continued)**  
**December 31, 2016**

	<b>As computed under FIFO</b>	<b>As reported under LIFO</b>	<b>Effect of Change</b>
Due to affiliate	258,743	258,743	-
Notes payable	2,096,465	2,096,465	-
Loans payable, stockholders	2,077,031	2,077,031	-
Due to affiliate	<u>2,640,000</u>	<u>2,640,000</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>\$ 57,885,796</u></b>	<b><u>\$ 51,521,894</u></b>	<b><u>\$ (6,363,902)</u></b>
Common stock	\$ 152,325	\$ 152,325	\$ -
Retained earnings	<u>23,439,779</u>	<u>13,993,926</u>	<u>(9,445,853)</u>
<b>Total stockholders' equity</b>	<b><u>\$ 23,592,104</u></b>	<b><u>\$ 14,146,251</u></b>	<b><u>\$ (9,445,853)</u></b>
<b>Total liabilities and stockholders' equity</b>	<b><u>\$ 81,477,900</u></b>	<b><u>\$ 65,668,145</u></b>	<b><u>\$ (15,809,755)</u></b>

**Statement of Cash Flows**  
**For the year ended December 31, 2016**

	<b>As computed under FIFO</b>	<b>As reported under LIFO</b>	<b>Effect of Change</b>
Net income (loss)	\$ 35,037	\$ (5,640,577)	\$ 5,675,614
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	711,834	711,834	-
Shareholder interest expense	85,233	85,233	-
(Increase) decrease in operating assets:			
Accounts receivable	474,993	474,993	-
Inventories	(20,772,448)	(15,056,834)	(5,715,614)
Other current assets	659,248	659,248	-
Due from broker	(6,743,277)	(6,743,277)	-
Prepaid inventories	23,303	23,303	-
Increase (decrease) in operating liabilities:			
Accounts payable	14,565	14,565	-
Accrued expenses	(960,573)	(1,000,573)	40,000
Deferred income	<u>466,012</u>	<u>466,012</u>	<u>-</u>
<b>Total adjustments</b>	<b><u>(26,041,110)</u></b>	<b><u>(20,365,496)</u></b>	<b><u>(5,675,614)</u></b>
<b>Net cash used in operating activities</b>	<b><u>(26,006,073)</u></b>	<b><u>(26,006,073)</u></b>	<b><u>-</u></b>

**COINS 'N THINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**14. Effect of using LIFO (continued)**

**Statement of Cash Flows (continued)**  
**For the year ended December 31, 2016**

	<b>As computed under FIFO</b>	<b>As reported under LIFO</b>	<b>Effect of Change</b>
Acquisition of property and equipment	(4,457,369)	(4,457,369)	-
Due to/from affiliates, net	<u>(692,250)</u>	<u>(692,250)</u>	<u>-</u>
Net cash used in investing activities	<u>(5,149,619)</u>	<u>(5,149,619)</u>	<u>-</u>
Bank overdraft	(575,112)	(575,112)	-
Borrowings from stockholders	1,981,012	1,981,012	-
Net borrowings from affiliate	2,777,464	2,777,464	-
Distributions to shareholders, net	(7,174,122)	(7,174,122)	-
Proceeds from notes payable	2,096,465	2,096,465	-
Net borrowings on line of credit	<u>32,049,985</u>	<u>32,049,985</u>	<u>-</u>
Net cash provided by financing activities	<u>31,155,692</u>	<u>31,155,692</u>	<u>-</u>
Net change in cash	-	-	-
Cash, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Cash, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**15. Metal advances**

Included in other current assets are metal advances of \$103,644 and \$4,151 as of December 31, 2017 and 2016, respectively. Metal advances represent advances to vendors for metal refining that is either in transit or in process.

**16. Commitments and contingencies**

The Company may be subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the Company's financial position.

**SUPPLEMENTARY INFORMATION**



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## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of  
Coins 'N Things, Inc.  
Bridgewater, Massachusetts

We have audited the financial statements of Coins 'N Things, Inc. as of and for the years ended December 31, 2017 and 2016, and have issued our report thereon dated April 5, 2018, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole.

The supplementary information presented in Schedule 1 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*DiSanto, Priest + Co.*

Warwick, Rhode Island  
April 5, 2018

**COINS 'N THINGS, INC.**  
**OPERATING EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>PERSONNEL COSTS</b>		
Employee benefits	\$ 707,083	\$ 750,790
Payroll taxes	296,184	359,488
Salaries, officer	492,825	684,002
Salaries, other	<u>3,285,208</u>	<u>3,980,064</u>
	<u>\$ 4,781,300</u>	<u>\$ 5,774,344</u>
<b>FACILITY COSTS</b>		
Depreciation and amortization	\$ 761,920	\$ 711,834
Insurance	397,439	338,393
Office supplies and costs	25,663	54,421
Property taxes	109,850	102,249
Rent	410,400	1,010,400
Repairs and maintenance	184,502	235,329
Telephone	35,626	37,461
Utilities	<u>81,408</u>	<u>78,284</u>
	<u>\$ 2,006,808</u>	<u>\$ 2,568,371</u>
<b>OTHER EXPENSES</b>		
Advertising	\$ 4,362	\$ 2,250
Auto lease	29,499	45,876
Bank service charges	135,086	156,497
Contributions	4,388	7,832
Miscellaneous	170,293	206,251
Professional fees	459,386	450,744
Travel	<u>53,435</u>	<u>123,197</u>
	<u>\$ 856,449</u>	<u>\$ 992,647</u>