

COINS 'N THINGS, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018 AND 2017
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

COINS 'N THINGS, INC.
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DECEMBER 31, 2018 AND 2017

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

INDEPENDENT AUDITORS' REPORT

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, 2018 and 2017, 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, 2018 and 2017, 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 13 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 \$61,422,448 and \$(781,395), respectively, as of and for the year ended December 31, 2018 and \$63,323,032 and \$(875,580), respectively, as of and for the year ended December 31, 2017. Our opinion is not modified with respect to that matter.

DiSanto, Priest + Co.

Warwick, Rhode Island
April 22, 2019

COINS 'N THINGS, INC.
BALANCE SHEET
DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
Current assets:		
Cash	\$ 490	\$ 747,150
Accounts receivable	7,768,088	4,566,155
Inventories	40,950,638	43,801,236
Other current assets	358,463	710,110
Due from broker	4,426,813	2,482,017
Due from affiliates	689,413	1,705,585
Prepaid inventories	<u>386,347</u>	<u>1,202,127</u>
Total current assets	<u>54,580,252</u>	<u>55,214,380</u>
Property and equipment:		
Furniture and equipment	6,829,848	6,097,366
Leasehold improvements	5,213,449	5,098,879
Equipment and software	3,130,873	3,100,162
Motor vehicles	205,634	205,634
Construction in progress	<u>2,023,589</u>	<u>2,023,589</u>
	17,403,393	16,525,630
Accumulated depreciation	<u>(7,763,995)</u>	<u>(6,278,287)</u>
Total property and equipment, net	<u>9,639,398</u>	<u>10,247,343</u>
Other assets:		
Intangible assets, net	<u>2,000</u>	<u>6,000</u>
Total assets	<u>\$ 64,221,650</u>	<u>\$ 65,467,723</u>

See accompanying notes and independent auditors' report.

LIABILITIES AND STOCKHOLDERS' EQUITY

	2018	2017
Current liabilities:		
Bank overdraft	\$ 1,773,880	\$ -
Line of credit	38,816,490	40,121,602
Accounts payable	1,001,897	3,892,655
Deferred income	3,225,347	1,048,288
Accrued expenses	643,846	599,055
Shareholders' distributions payable	620,977	607,985
Due to affiliate	<u>93,467</u>	<u>1,289,681</u>
Total current liabilities	<u>46,175,904</u>	<u>47,559,266</u>
Long-term liabilities:		
Loans payable, shareholders	39,557	2,441,291
Due to affiliates	<u>6,700,000</u>	<u>2,469,771</u>
Total long-term liabilities	<u>6,739,557</u>	<u>4,911,062</u>
Stockholders' equity:		
Common stock	152,325	152,325
Retained earnings	<u>11,153,864</u>	<u>12,845,070</u>
Total stockholders' equity	<u>11,306,189</u>	<u>12,997,395</u>
Total liabilities and stockholders' equity	<u>\$ 64,221,650</u>	<u>\$ 65,467,723</u>

COINS 'N THINGS, INC.
STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Sales	\$ 4,686,461,557	\$ 3,213,901,966
Cost of goods sold	<u>4,681,544,989</u>	<u>3,211,437,587</u>
Gross profit	<u>4,916,568</u>	<u>2,464,379</u>
Operating expenses - Schedule 1:		
Personnel costs	3,202,433	4,781,300
Facility costs	2,826,434	2,006,808
Other expenses	<u>1,047,264</u>	<u>856,449</u>
	<u>7,076,131</u>	<u>7,644,557</u>
Operating loss	<u>(2,159,563)</u>	<u>(5,180,178)</u>
Other income (expense):		
Interest income	288,236	345,825
Interest expense	(137,050)	(191,440)
Interest expense, shareholders	(46,581)	(39,148)
Other income	<u>444,487</u>	<u>597,320</u>
	<u>549,092</u>	<u>712,557</u>
Loss before provision for income taxes	(1,610,471)	(4,467,621)
Provision for income taxes	<u>(70,939)</u>	<u>(67,988)</u>
Net loss	<u>\$ (1,681,410)</u>	<u>\$ (4,535,609)</u>

See accompanying notes and independent auditors' report.

COINS 'N THINGS, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Number of Shares of Common Stock

	<u>Authorized</u>	<u>Issued</u>	<u>Outstanding</u>	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
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
Net loss for the year ended December 31, 2018	-	-	-	-	(1,681,410)	(1,681,410)
Shareholders' contributions	-	-	-	-	21,196	21,196
Shareholders' distributions	-	-	-	-	(30,992)	(30,992)
Balance, December 31, 2018	12,500	2,500	2,500	\$ 152,325	\$ 11,153,864	\$ 11,306,189

See accompanying notes and independent auditors' report.

COINS 'N THINGS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Net loss	\$ <u>(1,681,410)</u>	\$ <u>(4,535,609)</u>
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,491,141	761,920
(Increase) decrease in operating assets:		
Accounts receivable	(3,201,933)	(1,648,741)
Inventories	2,850,598	(791,299)
Other current assets	351,647	(476,122)
Due from broker	(1,944,796)	4,596,813
Prepaid inventories	815,780	(816,116)
Increase (decrease) in operating liabilities:		
Accounts payable	(2,890,758)	3,565,372
Accrued expenses	44,791	(212,516)
Deferred income	<u>2,177,059</u>	<u>(190,145)</u>
Total adjustments	<u>(306,471)</u>	<u>4,789,166</u>
Net cash provided by (used in) operating activities	<u>(1,987,881)</u>	<u>253,557</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(879,196)	(1,982,339)
Payments to (advances from) affiliates, net	<u>(180,042)</u>	<u>1,700,180</u>
Net cash used in investing activities	<u>(1,059,238)</u>	<u>(282,159)</u>

COINS 'N THINGS, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from financing activities:		
Bank overdraft	1,773,880	(287,591)
Borrowings from (payments to) shareholders, net	(2,401,734)	998,474
Borrowings from affiliates, net	4,230,229	(170,229)
Contributions from shareholders, net	3,196	3,386,753
Repayments of notes payables	-	(2,096,465)
Repayments on line of credit, net	<u>(1,305,112)</u>	<u>(1,055,190)</u>
Net cash provided by financing activities	<u>2,300,459</u>	<u>775,752</u>
Net increase (decrease) in cash and cash equivalents	(746,660)	747,150
Cash, beginning	<u>747,150</u>	<u>-</u>
Cash, ending	<u>\$ 490</u>	<u>\$ 747,150</u>
Supplemental disclosure of cash flow information:		
Cash paid during the periods for:		
Interest	<u>\$ 219,813</u>	<u>\$ 226,666</u>
Income taxes	<u>\$ -</u>	<u>\$ 292,981</u>
Supplemental schedule of non-cash investing and financing activities:		
Shareholders' distributions payable	<u>\$ 620,977</u>	<u>\$ 607,985</u>

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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), minting silver and copper coins, and leasing metals to customers. The Company sells products and services 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, 2018, the Company's tax returns generally remain open for examination for three years from the date filed with each taxing jurisdiction. At December 31, 2018, 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, 2018 and 2017 was \$1,487,141 and \$757,920, respectively.

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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.

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
DECEMBER 31, 2018 AND 2017

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, 2018 and 2017.

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, 2018 AND 2017

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, 2018.

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
DECEMBER 31, 2018 AND 2017

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 \$25,031 and \$4,362 for the years ended December 31, 2018 and 2017, respectively.

Recently issued but not yet effective accounting pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU will create a single source of revenue guidance under accounting principles generally accepted in the United States of America for all companies in all industries. This new guidance is effective for the Company's annual reporting period beginning after December 15, 2018, with early adoption permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures. The Company has not yet selected a transition method, nor has it determined the timing of adoption.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02). The standard requires all leases with a term greater than 12 months to be recognized on the balance sheet through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. Under existing guidance, operating leases are not recorded as lease

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. Summary of significant accounting policies (continued)

assets and lease liabilities on the balance sheet. This new guidance is effective for the Company's annual reporting period beginning after December 15, 2019, with early adoption permitted. The Company is evaluating the impact of the adoption of this accounting guidance on its financial statements. However, the adoption of this accounting guidance is expected to result in an increase in lease assets and a corresponding increase in lease liabilities on the balance sheets.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01), to amend certain aspects of recognition, measurement, presentation, and disclosure of financial instruments, and clarifies the guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. Most prominent among the amendments is the requirement for changes in the fair value of the Company's equity investments, with certain exceptions, to be recognized through net income rather than other comprehensive income. The Company will be required to adopt the provisions of this ASU for annual reporting periods beginning after December 15, 2018. The effect of adopting ASU 2016-01 on the Company's financial statements has not yet been determined.

Subsequent events

The Company evaluated subsequent events through April 22, 2019, 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, 2018.

3. Line of credit

The Company has secured a loan agreement with Wells Fargo Bank, N.A. Effective December 15th through January 15th 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 16th through December 14th of each year. The line of credit matures on December 31, 2021.

The revolving line of credit agreement is subject to a borrowing formula, payable on demand, bearing interest at the greater of prime, the one-month LIBOR rate plus 1.5%, or the Federal Funds Rate plus 1.5%. The rate was 5.50% and 4.50% at December 31, 2018 and 2017, 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 related parties, CNT Lending, Inc. and CNT Depository, Inc. The Company is subject to certain financial and non-financial covenants under the revolving line of credit agreement, inclusive of the financial results of related parties, CNT Lending, Inc. and CNT Depository, Inc. At December 31, 2018 the Company was in compliance with those covenants.

At December 31, 2018 and 2017, the balance outstanding on the line of credit was \$38,816,490 and \$40,121,602, respectively.

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

4. 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.

5. 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, 2018 and 2017, the Company's uninsured cash balances were \$999,951 and \$891,713, respectively.

6. Related party transactions

- a. During the year ended December 31, 2018, the Company leased its facilities in Bridgewater, Massachusetts from four related parties; Oliari Co., LLC, CNT Depository, Inc., Bridgewater Sports Complex, Inc., and 722 Bedford Street, LLC. During the year ended December 31, 2017, the Company leased its facilities in Bridgewater, Massachusetts from three related parties; Oliari Co., LLC, CNT Depository, Inc. and Bridgewater Sports Complex, Inc. For 2018 and 2017, the combined monthly rent was \$41,700 and \$34,200, respectively (\$500,400 and \$410,400, annually). At December 31, 2018 and 2017, \$0 and \$123,200 in prepaid rent was included in other current assets. All rental agreements have an option to renew.
- b. Due from affiliates consists of unsecured note receivables between the Company and affiliated parties. During 2018 and 2017, one note bore interest at 1%. Accordingly, \$5,412 and \$17,767 is included in interest income at December 31, 2018 and 2017, respectively. Due from affiliates at December 31, 2018 and 2017 was \$689,413 and \$1,705,585, 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, 2018 and 2017, are unsecured, non-interest bearing note payables to affiliates of \$93,467 and \$1,289,681, respectively.

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

6. Related party transactions (continued)

- e. Included in long-term liabilities at December 31, 2018 are secured notes payables due to two affiliates. Included in long-term liabilities at December 31, 2017 is a secured note payable due to an affiliate. The notes bear interest at 1%. Amounts due at December 31, 2018 and 2017 totaled \$6,700,000 and \$2,469,771, respectively.
- f. During 2018 and 2017, the Company sold and purchased inventory 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, 2018 amounted to approximately \$81,000,000 and \$1,100,000, respectively. 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. Included in accounts receivable at December 31, 2018 and 2017 is \$543,374 and \$356,781, respectively, due from Bay Precious Metals, Inc. Included in accounts payable at December 31, 2018 and 2017 is \$0 and \$5,418, respectively, due to Bay Precious Metals, Inc.
- g. During 2017, the Company provided general and administrative services to a related party, Bay Precious Metals, Inc. The management fee earned by the Company for providing these services in 2017 was \$414,056 which is included in other income for the year ended December 31, 2017.
- h. During the years ended December 31, 2018 and 2017, 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, 2018 and 2017 was \$150,000.
- i. At December 31, 2018 and 2017, respectively, the Company had amounts due to shareholders of \$39,557 and \$2,441,291. These are non-secured loans which bore interest at 2.00% and 1.50% as of December 31, 2018 and 2017, respectively.
- j. During 2018 and 2017, 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.

7. 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, 2018 and 2017, contributions to the plan aggregated \$77,547 and \$112,632, respectively. The Company has accrued all unpaid contributions as of the balance sheet date.

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

8. Major vendors

During the year ended December 31, 2018, the Company had one major vendor which supplied approximately 14% of inventory purchases. During the year ended December 31, 2017, the Company had two major vendors which supplied approximately 33% of inventory purchases. At December 31, 2018 and 2017, these vendors had outstanding accounts payable balances of approximately \$589,000 and \$0, respectively.

9. Major customers

The Company did not have any major customers for the year ended December 31, 2018. The Company had one major customer which comprised approximately 13% of the total sales for the year ended December 31, 2017. At December 31, 2017, this customer had an outstanding accounts receivable balance of \$0.

10. 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.

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, 2018.

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.

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

10. Fair value measurements (continued)

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 net losses of \$5,842,598 and \$289,389 being recognized for the years ended December 31, 2018 and 2017, respectively. Due from broker on the Company's balance sheet includes margin deposits as well as futures contracts equity.

11. 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, 2018 and 2017:

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

	Authorized	Outstanding
Class A, voting	1,250	160
Class B, nonvoting	11,250	2,340

12. Intangible assets

	2018		2017	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangibles:				
Customer lists	<u>\$ 60,000</u>	<u>\$ 58,000</u>	<u>\$ 60,000</u>	<u>\$ 54,000</u>
Aggregate amortization:				
Expense	<u>\$ 4,000</u>		<u>\$ 4,000</u>	
Estimated amortization expense:				
For the year ending:				
December 31, 2019		<u>\$ 2,000</u>		

13. 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:

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

13. Effect of using LIFO (continued)

Statement of Operations
For the year ended December 31, 2018

	As computed under FIFO	As reported under LIFO	Effect of Change
Sales	\$ 4,686,461,557	\$ 4,686,461,557	\$ -
Cost of goods sold	4,680,594,974	4,681,544,989	(950,015)
Operating expenses	7,076,131	7,076,131	-
Other income	<u>549,092</u>	<u>549,092</u>	<u>-</u>
Loss before provision for income taxes	(660,456)	(1,610,471)	(950,015)
Provision for income taxes	<u>(120,939)</u>	<u>(70,939)</u>	<u>50,000</u>
Net loss	\$ <u>(781,395)</u>	\$ <u>(1,681,410)</u>	\$ <u>(900,015)</u>

Balance Sheet
December 31, 2018

	As computed under FIFO	As reported under LIFO	Effect of Change
Assets:			
Cash	\$ 490	\$ 490	\$ -
Accounts receivable	7,768,088	7,768,088	-
Inventories	61,422,448	40,950,638	(20,471,810)
Other current assets	358,463	358,463	-
Due from broker	4,426,813	4,426,813	-
Due from affiliates	689,413	689,413	-
Prepaid inventories	<u>386,347</u>	<u>386,347</u>	<u>-</u>
Total current assets	75,052,062	54,580,252	(20,471,810)
Property and equipment, net	9,639,398	9,639,398	-
Intangible assets, net	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total assets	<u>\$84,693,460</u>	<u>\$64,221,650</u>	<u>\$(20,471,810)</u>
Liabilities and stockholders' equity:			
Bank overdraft	\$ 1,773,880	\$ 1,773,880	\$ -
Line of credit	38,816,490	38,816,490	-
Accounts payable	1,001,897	1,001,897	-
Deferred income	3,225,347	3,225,347	-
Accrued expenses	693,846	643,846	(50,000)
Shareholders distributions payable	8,809,701	620,977	(8,188,724)
Due to affiliate - current	93,467	93,467	-
Loans payable, shareholders	39,557	39,557	-
Due to affiliates – long term	<u>6,700,000</u>	<u>6,700,000</u>	<u>-</u>
Total liabilities	<u>\$61,154,185</u>	<u>\$52,915,461</u>	<u>\$(8,238,724)</u>

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

13. Effect of using LIFO (continued)

Balance Sheet (Continued)
December 31, 2018

	As computed under FIFO	As reported under LIFO	Effect of Change
Common stock	\$ 152,325	\$ 152,325	\$ -
Retained earnings	<u>23,386,950</u>	<u>11,153,864</u>	<u>(12,233,086)</u>
Total stockholders' equity	<u>\$23,539,275</u>	<u>\$11,306,189</u>	<u>\$(12,223,086)</u>
Total liabilities and stockholders' equity	<u>\$84,693,460</u>	<u>\$64,221,650</u>	<u>\$(20,471,810)</u>

Statement of Cash Flows
For the year ended December 31, 2018

	As computed under FIFO	As reported under LIFO	Effect of Change
Net loss	\$ <u>(781,395)</u>	\$ <u>(1,681,410)</u>	\$ <u>900,015</u>
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,491,141	1,491,141	-
(Increase) decrease in operating assets:			
Accounts receivable	(3,201,933)	(3,201,933)	-
Inventories	1,900,583	2,850,598	(950,015)
Other current assets	351,647	351,647	-
Due from broker	(1,944,796)	(1,944,796)	-
Prepaid inventories	815,780	815,780	-
Increase (decrease) in operating liabilities:			
Accounts payable	(2,890,758)	(2,890,758)	-
Accrued expenses	94,791	44,791	50,000
Deferred income	<u>2,177,059</u>	<u>2,177,059</u>	<u>-</u>
Total adjustments	<u>(1,206,486)</u>	<u>(306,471)</u>	<u>(900,015)</u>
Net cash used in operating activities	<u>(1,987,881)</u>	<u>(1,987,881)</u>	<u>-</u>
Acquisition of property and equipment	(879,196)	(879,196)	-
Advances from affiliates, net	<u>(180,042)</u>	<u>(180,042)</u>	<u>-</u>
Net cash used in investing activities	<u>(1,059,238)</u>	<u>(1,059,238)</u>	<u>-</u>

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

13. Effect of using LIFO (continued)

Statement of Cash Flows (Continued)
For the year ended December 31, 2018

	As computed under FIFO	As reported under LIFO	Effect of Change
Bank overdraft	1,773,880	1,773,880	-
Payments to shareholders, net	(2,401,734)	(2,401,734)	-
Borrowings from affiliate, net	4,230,229	4,230,229	-
Contributions from shareholders, net	3,196	3,196	-
Repayments of notes payable	-	-	-
Repayments on line of credit, net	<u>(1,305,112)</u>	<u>(1,305,112)</u>	<u>-</u>
Net cash provided by financing activities	<u>2,300,459</u>	<u>2,300,459</u>	<u>-</u>
Net decrease in cash	(746,660)	(746,660)	-
Cash, beginning	<u>747,150</u>	<u>747,150</u>	<u>-</u>
Cash, ending	\$ <u>490</u>	\$ <u>490</u>	\$ <u>-</u>

Statement of Operations
For the year ended December 31, 2017

	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>

Balance Sheet
December 31, 2017

	As computed under FIFO	As reported under LIFO	Effect of Change
Assets:			
Cash	\$ 747,150	\$ 747,150	\$ -
Accounts receivable	4,566,155	4,566,155	-
Inventories	63,323,032	43,801,236	(19,521,796)

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

13. Effect of using LIFO (continued)

	Balance Sheet (Continued)		
	December 31, 2017		
	As computed under FIFO	As reported under LIFO	Effect of Change
Other current assets	710,110	710,110	-
Due from broker	2,482,017	2,482,017	-
Due from affiliates	1,705,585	1,705,585	-
Prepaid inventories	<u>1,202,127</u>	<u>1,202,127</u>	<u>-</u>
Total current assets	74,736,176	55,214,380	(19,521,796)
Property and equipment, net	10,247,343	10,247,343	-
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>
Liabilities and stockholders' equity:			
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 - current	1,289,681	1,289,681	-
Loans payable, shareholders	2,441,291	2,441,291	-
Due to affiliate - long-term	<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, 2018 AND 2017

13. 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)	-
Advances from affiliates, net	<u>1,700,180</u>	<u>1,700,180</u>	<u>-</u>
Net cash used in investing activities	<u>(282,159)</u>	<u>(282,159)</u>	<u>-</u>
Bank overdraft	(287,591)	(287,591)	-
Borrowings from shareholders, net	998,474	998,474	-
Borrowings from affiliate, net	(170,229)	(170,229)	-
Contributions from shareholders, net	3,386,753	3,386,753	-
Repayments of notes payable	(2,096,465)	(2,096,465)	-
Repayments on line of credit, net	<u>(1,055,190)</u>	<u>(1,055,190)</u>	<u>-</u>
Net cash provided by financing activities	<u>775,752</u>	<u>775,752</u>	<u>-</u>
Net increase in cash	747,150	747,150	-
Cash, beginning	-	-	-
Cash, ending	<u>\$ 747,150</u>	<u>\$ 747,150</u>	<u>\$ -</u>

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

14. Metal advances

Included in other current assets are metal advances of \$49,671 and \$103,644 as of December 31, 2018 and 2017, respectively. Metal advances represent advances to vendors for metal refining that is either in transit or in process.

15. 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.

16. Reclassification of account balances

Certain amounts in the 2017 financial statements have been reclassified for comparative purposes to conform to 2018 presentation. The changes have no effect on net income (loss) for the prior year.

SUPPLEMENTARY INFORMATION



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James Meehan, CPA
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Thomas Markarian, CPA*

* Deceased

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, 2018 and 2017, and have issued our report thereon dated April 22, 2019, which contained an unmodified opinion on those financial statements. Our audits were 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 22, 2019

COINS 'N THINGS, INC.
OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
PERSONNEL COSTS		
Employee benefits	\$ 385,921	\$ 707,083
Payroll taxes	209,770	296,184
Salaries, officers	430,296	492,825
Salaries, other	<u>2,176,446</u>	<u>3,285,208</u>
	<u>\$ 3,202,433</u>	<u>\$ 4,781,300</u>
FACILITY COSTS		
Depreciation and amortization	\$ 1,491,141	\$ 761,920
Insurance	365,789	397,439
Office supplies and costs	106,053	25,663
Property taxes	107,137	109,850
Rent	500,400	410,400
Repairs and maintenance	195,035	184,502
Telephone	38,009	35,626
Utilities	<u>22,870</u>	<u>81,408</u>
	<u>\$ 2,826,434</u>	<u>\$ 2,006,808</u>
OTHER EXPENSES		
Advertising	\$ 25,031	\$ 4,362
Auto lease	25,854	29,499
Bank service charges	123,365	135,086
Contributions	544	4,388
Miscellaneous	111,379	170,293
Professional fees	696,556	459,386
Travel	<u>64,535</u>	<u>53,435</u>
	<u>\$ 1,047,264</u>	<u>\$ 856,449</u>