

COINS 'N THINGS, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019 AND 2018
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

COINS 'N THINGS, INC.
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DECEMBER 31, 2019 AND 2018

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

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, 2019 and 2018, 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, 2019 and 2018, 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 12 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 \$84,902,521 and \$440,250, respectively, as of and for the year ended December 31, 2019 and \$61,422,448 and \$(781,395), respectively, as of and for the year ended December 31, 2018. Our opinion is not modified with respect to that matter.

DiSanto, Priest & Co.

Warwick, Rhode Island
April 15, 2020

COINS 'N THINGS, INC.
BALANCE SHEET
DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018
Current assets:		
Cash and cash equivalents	\$ 3,129,797	\$ 490
Accounts receivable	3,950,150	7,768,088
Inventories	54,820,744	40,950,638
Other current assets	438,501	358,463
Due from broker	6,673,239	4,426,813
Due from affiliates	887,604	689,413
Prepaid inventories	<u>372,074</u>	<u>386,347</u>
Total current assets	<u>70,272,109</u>	<u>54,580,252</u>
Property and equipment:		
Furniture and equipment	6,966,840	6,829,848
Leasehold improvements	5,241,504	5,213,449
Equipment and software	3,138,385	3,130,873
Motor vehicles	384,819	205,634
Solar equipment	2,023,589	-
Construction in progress	<u>-</u>	<u>2,023,589</u>
	17,755,137	17,403,393
Accumulated depreciation	<u>(9,046,717)</u>	<u>(7,763,995)</u>
Total property and equipment, net	<u>8,708,420</u>	<u>9,639,398</u>
Other assets:		
Intangible assets, net	<u>-</u>	<u>2,000</u>
Total assets	<u>\$ 78,980,529</u>	<u>\$ 64,221,650</u>

See accompanying notes and independent auditors' report.

LIABILITIES AND STOCKHOLDERS' EQUITY

	2019	2018
Current liabilities:		
Bank overdraft	\$ -	\$ 1,773,880
Line of credit	60,636,465	38,816,490
Accounts payable	5,998,525	1,001,897
Deferred income	2,257,322	3,225,347
Accrued expenses	624,167	643,846
Shareholders' distributions payable	132,276	620,977
Due to affiliate	<u>-</u>	<u>93,467</u>
Total current liabilities	<u>69,648,755</u>	<u>46,175,904</u>
Long-term liabilities:		
Loans payable, shareholders	40,777	39,557
Due to affiliates	<u>7,480,000</u>	<u>6,700,000</u>
Total long-term liabilities	<u>7,520,777</u>	<u>6,739,557</u>
Stockholders' equity:		
Common stock	152,325	152,325
Retained earnings	<u>1,658,672</u>	<u>11,153,864</u>
Total stockholders' equity	<u>1,810,997</u>	<u>11,306,189</u>
 Total liabilities and stockholders' equity	 <u>\$ 78,980,529</u>	 <u>\$ 64,221,650</u>

COINS 'N THINGS, INC.
STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Sales	\$ 6,848,486,308	\$ 4,686,461,557
Cost of goods sold	<u>6,850,803,305</u>	<u>4,681,544,989</u>
Gross (loss) profit	<u>(2,316,997)</u>	<u>4,916,568</u>
Operating expenses - Schedule 1:		
Personnel costs	3,506,054	3,202,433
Facility costs	2,689,467	2,826,434
Other expenses	<u>930,431</u>	<u>1,047,264</u>
	<u>7,125,952</u>	<u>7,076,131</u>
Operating loss	<u>(9,442,949)</u>	<u>(2,159,563)</u>
Other income (expense):		
Interest income	305,017	288,236
Interest expense	(341,569)	(137,050)
Interest expense, shareholders	(1,220)	(46,581)
Loss on disposal of equipment	(10,705)	-
Other income	<u>522,682</u>	<u>444,487</u>
	<u>474,205</u>	<u>549,092</u>
Loss before provision for income taxes	(8,968,744)	(1,610,471)
Provision for income taxes	<u>(120,973)</u>	<u>(70,939)</u>
Net loss	<u>\$ (9,089,717)</u>	<u>\$ (1,681,410)</u>

See accompanying notes and independent auditors' report.

COINS 'N THINGS, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 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
Net loss for the year ended December 31, 2019	-	-	-	-	(9,089,717)	(9,089,717)
Shareholders' distributions	-	-	-	-	(405,475)	(405,475)
Balance, December 31, 2019	<u>12,500</u>	<u>2,500</u>	<u>2,500</u>	<u>\$ 152,325</u>	<u>\$ 1,658,672</u>	<u>\$ 1,810,997</u>

See accompanying notes and independent auditors' report.

COINS 'N THINGS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Net loss	<u>\$ (9,089,717)</u>	<u>\$ (1,681,410)</u>
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,290,000	1,491,141
Loss on disposition of property and equipment	10,705	-
(Increase) decrease in operating assets:		
Accounts receivable	3,817,938	(3,201,933)
Inventories	(13,870,106)	2,850,598
Other current assets	(80,038)	351,647
Due from broker	(2,246,426)	(1,944,796)
Prepaid inventories	14,273	815,780
Increase (decrease) in operating liabilities:		
Accounts payable	4,996,628	(2,890,758)
Accrued expenses	(19,679)	44,791
Deferred income	<u>(968,025)</u>	<u>2,177,059</u>
 Total adjustments	 <u>(7,054,730)</u>	 <u>(306,471)</u>
 Net cash used in operating activities	 <u>(16,144,447)</u>	 <u>(1,987,881)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(367,727)	(879,196)
Payments to affiliates, net	<u>(291,658)</u>	<u>(180,042)</u>
 Net cash used in investing activities	 <u>(659,385)</u>	 <u>(1,059,238)</u>

COINS 'N THINGS, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash flows from financing activities:		
Bank overdraft	(1,773,880)	1,773,880
Borrowings from (payments to) shareholders, net	1,220	(2,401,734)
Borrowings from affiliates, net	780,000	4,230,229
(Distributions to) contributions from shareholders, net	(894,176)	3,196
Advances (repayments) on line of credit, net	<u>21,819,975</u>	<u>(1,305,112)</u>
Net cash provided by financing activities	<u>19,933,139</u>	<u>2,300,459</u>
Net increase (decrease) in cash and cash equivalents	3,129,307	(746,660)
Cash and cash equivalents, beginning	<u>490</u>	<u>747,150</u>
Cash and cash equivalents, ending	<u>\$ 3,129,797</u>	<u>\$ 490</u>
Supplemental disclosure of cash flow information:		
Cash paid during the periods for:		
Interest	<u>\$ 315,007</u>	<u>\$ 219,813</u>
Income taxes	<u>\$ 93,612</u>	<u>\$ -</u>
Supplemental schedule of non-cash investing and financing activities:		
Shareholders' distributions payable	<u>\$ 132,276</u>	<u>\$ 620,977</u>

See accompanying notes and independent auditors' report.

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

Revenue from contracts with customers

On January 1, 2019, the Company adopted Financial Accounting Standard Board (“FASB”) ASU No. 2014-09 (Topic 606) – *Revenue from Contracts with Customers* (ASU 2014-09), which provides guidance for revenue recognition that superseded the revenue recognition requirements in Accounting Standards Codification (ASC) (Topic 605) and most industry specific guidance. Under ASU 2014-09, revenue is recognized when promised services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services by following a five-step process, (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price, and (5) recognize revenue when or as the Company satisfies a performance obligation. The Company adopted ASU 2014-09 under the modified retrospective method, applying the amendments to all reporting periods beginning after December 31, 2018. There was no significant effect resulting from the adoption of the new standard.

The Company provides various products and services to meet the needs of their customers. The significant offering is categorized as precious metals sales. The other offerings are not significant to the overall operations and are categorized as minting and precious metals leasing.

For performance obligations relating to the significant offering, the Company generally satisfies their obligations as each action to provide the service to the customer occurs. These performance obligations are deemed to be satisfied at a point in time.

The Company’s contracts with customers describe the offerings that can be provided along with the fees for each action to provide the offerings. The Company typically sends invoices to customers for all of the offerings provided on the settlement date. The value of precious metals are due on the invoice date and fees are generally due within 30 days of the invoice date.

The Company recognizes revenue for these offerings on the settlement date on which, (1) the quantity, price, and specific items purchased have been established, (2) metals have been delivered to the customer or ownership has transferred to the customer, and (3) payment has been received or is covered by the customer’s toll account with the Company.

For certain customer contracts, the Company may receive customer payments prior to performing the related offerings under the contract. When the receipt of payments precedes the Company’s performance, they recognize a contract liability presented as deferred income on the balance sheet.

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

2. Summary of significant accounting policies (continued)

Revenue from contracts with customers (continued)

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 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 statement of operations. Financing revenue is recorded over the terms of the related secured loans receivable and consists of interest and related fees.

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, 2019, the Company’s tax returns generally remain open for examination for three years from the date filed with each taxing jurisdiction. At December 31, 2019, 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, solar equipment and motor vehicles are depreciated

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

2. Summary of significant accounting policies (continued)

Property, equipment and depreciation (continued)

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, 2019 and 2018 was \$1,288,000 and \$1,487,141, respectively.

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.

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.

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

2. Summary of significant accounting policies (continued)

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, 2019 and 2018.

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.

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, 2019.

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

2. Summary of significant accounting policies (continued)

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.

Loans payable - The fair value of loans payable is estimated based on the present value of cash flows required under the loans, 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 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.

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

2. Summary of significant accounting policies (continued)

Advertising

Advertising costs, which are included in other expenses, are expensed as incurred. Advertising expense was \$12,400 and \$25,031 for the years ended December 31, 2019 and 2018, respectively.

Recently issued but not yet effective accounting pronouncements

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 assets and lease liabilities on the balance sheet. This new guidance is effective for the Company's annual reporting period beginning after December 15, 2020, 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.

Subsequent events

The Company evaluated subsequent events through April 15, 2020, 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, 2019 as noted in Note 15.

3. Line of credit

The Company has secured a loan agreement with Wells Fargo Bank, N.A. The revolving line of credit has a limit of \$70,000,000 effective December 15, 2019 through January 15, 2020, \$40,000,000 effective January 16, 2020 through December 14, 2020, \$55,000,000 effective December 15th through January 15th of each subsequent year, and \$40,000,000 effective January 16th through December 14th of each subsequent year. The revolving 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 4.75% and 5.50% at December 31, 2019 and 2018, 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, 2019 the Company was in compliance with those covenants.

At December 31, 2019 and 2018, the balance outstanding on the line of credit was \$60,636,465 and \$38,816,490, respectively.

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, the Company's uninsured cash balances were \$3,061,623 and \$999,951, respectively.

6. Related party transactions

- a. During the years ended December 31, 2019 and 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. For 2019 and 2018, the combined monthly rent was \$41,700 (\$500,400 annually). All rental agreements have an option to renew.
- b. Due from affiliates consists of unsecured note receivables between the Company and affiliated parties. During 2019 and 2018, one note bore interest at 3% and 1%, respectively. Accordingly, \$12,300 and \$5,412 is included in interest income at December 31, 2019 and 2018, respectively. Due from affiliates at December 31, 2019 and 2018 was \$887,604 and \$689,413, respectively.
- c. Included in current liabilities at December 31, 2018 is an unsecured, non-interest bearing note payables to an affiliate of \$93,467.
- d. Included in long-term liabilities at December 31, 2019 are secured notes payables due to five affiliates. Included in long-term liabilities at December 31, 2018 are secured note payables due to two affiliates. During 2019 and 2018, the notes bear interest at 3% and 1%, respectively. Accordingly, \$193,200 and \$48,779 is included in interest expense at December 31, 2019 and 2018, respectively. Amounts due at December 31, 2019 and 2018 totaled \$7,480,000 and \$6,700,000, respectively.

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

6. Related party transactions (continued)

- e. During 2019 and 2018, 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, 2019 amounted to approximately \$50,000,000 and \$740,000, respectively. 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. Included in accounts receivable at December 31, 2019 and 2018 is \$183,014 and \$543,374, respectively, due from Bay Precious Metals, Inc. There are no accounts payable at December 31, 2019 and 2018 due to Bay Precious Metals, Inc.
- f. During the years ended December 31, 2019 and 2018, 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, 2019 and 2018 was \$150,000.
- g. At December 31, 2019 and 2018, respectively, the Company had amounts due to shareholders of \$40,777 and \$39,557. These are non-secured loans which bore interest at 3.00% and 2.00% as of December 31, 2019 and 2018, respectively. Accordingly, \$1,220 and \$46,581 is included in interest expense at December 31, 2019 and 2018, respectively.
- h. During 2019 and 2018, 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, 2019 and 2018, contributions to the plan aggregated \$91,777 and \$77,547, respectively. The Company has accrued all unpaid contributions as of the balance sheet date.

8. Major vendors

The Company did not have any major vendors for the year ended December 31, 2019. During the year ended December 31, 2018, the Company had one major vendor which supplied approximately 14% of inventory purchases. At December 31, 2018, this vendor had an outstanding accounts payable balance of approximately \$589,000.

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

9. 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, 2019.

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 net losses of \$3,377,593 and \$5,842,598 being recognized for the years ended December 31, 2019 and 2018, respectively. Due from broker on the Company’s balance sheet includes margin deposits as well as futures contracts equity.

10. 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, 2019 and 2018:

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

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

10. Common stock (continued)

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

11. Intangible assets

	2019		2018	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangibles:				
Customer lists	\$ <u>-</u>	\$ <u>-</u>	\$ <u>60,000</u>	\$ <u>58,000</u>
Aggregate amortization:				
Expense	\$ <u>2,000</u>		\$ <u>4,000</u>	

12. 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:

	Statement of Operations		
	For the year ended December 31, 2019		
	As computed under FIFO	As reported under LIFO	Effect of Change
Sales	\$ 6,848,486,308	\$ 6,848,486,308	\$ -
Cost of goods sold	6,841,193,338	6,850,803,305	(9,609,967)
Operating expenses	7,125,952	7,125,952	-
Other income	<u>474,205</u>	<u>474,205</u>	<u>-</u>
Income (loss) before provision for income taxes	641,223	(8,968,744)	(9,609,967)
Provision for income taxes	<u>(200,973)</u>	<u>(120,973)</u>	<u>80,000</u>
Net income (loss)	\$ <u>440,250</u>	\$ <u>(9,089,717)</u>	\$ <u>(9,529,967)</u>

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

12. Effect of using LIFO (continued)

	Balance Sheet December 31, 2019		
	As computed under FIFO	As reported under LIFO	Effect of Change
Assets:			
Cash and cash equivalents	\$ 3,129,797	\$ 3,129,797	\$ -
Accounts receivable	3,950,150	3,950,150	-
Inventories	84,902,521	54,820,744	(30,081,777)
Other current assets	438,501	438,501	-
Due from broker	6,673,239	6,673,239	-
Due from affiliates	887,604	887,604	-
Prepaid inventories	<u>372,074</u>	<u>372,074</u>	<u>-</u>
Total current assets	100,353,886	70,272,109	(30,081,777)
Property and equipment, net	<u>8,708,420</u>	<u>8,708,420</u>	<u>-</u>
Total assets	<u>\$109,062,306</u>	<u>\$ 78,980,529</u>	<u>\$(30,081,777)</u>
Liabilities and stockholders' equity:			
Line of credit	\$ 60,636,465	\$ 60,636,465	\$ -
Accounts payable	5,998,525	5,998,525	-
Deferred income	2,257,322	2,257,322	-
Accrued expenses	704,167	624,167	(80,000)
Shareholders' distributions payable	12,164,987	132,276	(12,032,711)
Loans payable, shareholders	40,777	40,777	-
Due to affiliate - long-term	<u>7,480,000</u>	<u>7,480,000</u>	<u>-</u>
Total liabilities	<u>\$ 89,282,243</u>	<u>\$ 77,169,532</u>	<u>\$(12,112,711)</u>
Common stock	\$ 152,325	\$ 152,325	\$ -
Retained earnings	<u>19,627,738</u>	<u>1,658,672</u>	<u>(17,969,066)</u>
Total stockholders' equity	<u>\$ 19,780,063</u>	<u>\$ 1,810,997</u>	<u>\$(17,969,066)</u>
Total liabilities and stockholders' equity	<u>\$109,062,306</u>	<u>\$ 78,980,529</u>	<u>\$(30,081,777)</u>

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

12. Effect of using LIFO (continued)

	Statement of Cash Flows		
	For the year ended December 31, 2019		
	As computed under FIFO	As reported under LIFO	Effect of Change
Net income (loss)	\$ <u>440,250</u>	\$ <u>(9,089,717)</u>	\$ <u>9,529,967</u>
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	1,290,000	1,290,000	-
Loss on disposition of property and equipment	10,705	10,705	-
(Increase) decrease in operating assets:			
Accounts receivable	3,817,938	3,817,938	-
Inventories	(23,480,073)	(13,870,106)	(9,609,967)
Other current assets	(80,038)	(80,038)	-
Due from broker	(2,246,426)	(2,246,426)	-
Prepaid inventories	14,273	14,273	-
Increase (decrease) in operating liabilities:			
Accounts payable	4,996,628	4,996,628	-
Accrued expenses	60,321	(19,679)	(80,000)
Deferred income	<u>(968,025)</u>	<u>(968,025)</u>	<u>-</u>
Total adjustments	<u>(16,584,697)</u>	<u>(7,054,730)</u>	<u>(9,529,967)</u>
Net cash used in operating activities	<u>(16,144,447)</u>	<u>(16,144,447)</u>	<u>-</u>
Acquisition of property and equipment	(367,727)	(367,727)	-
Payments to affiliates, net	<u>(291,658)</u>	<u>(291,658)</u>	<u>-</u>
Net cash used in investing activities	<u>(659,385)</u>	<u>(659,385)</u>	<u>-</u>
Bank overdraft	(1,773,880)	(1,773,880)	-
Borrowings from shareholders, net	1,220	1,220	-
Borrowings from affiliate, net	780,000	780,000	-
Distributions to shareholders	(894,176)	(894,176)	-
Advances on line of credit, net	<u>21,819,975</u>	<u>21,819,975</u>	<u>-</u>
Net cash provided by financing activities	<u>19,933,139</u>	<u>19,933,139</u>	<u>-</u>
Net increase in cash	3,129,307	3,129,307	-
Cash and cash equivalents, beginning	<u>490</u>	<u>490</u>	<u>-</u>
Cash and cash equivalents, ending	<u>\$ 3,129,797</u>	<u>\$ 3,129,797</u>	<u>\$ -</u>

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

12. 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><u>(781,395)</u></u>	\$ <u><u>(1,681,410)</u></u>	\$ <u><u>(900,015)</u></u>

Balance Sheet
December 31, 2018

	As computed under FIFO	As reported under LIFO	Effect of Change
Assets:			
Cash and cash equivalents	\$ 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><u>84,693,460</u></u>	\$ <u><u>64,221,650</u></u>	\$ <u><u>(20,471,810)</u></u>

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

12. Effect of using LIFO (continued)

Balance Sheet (continued)			
December 31, 2018			
	As computed under FIFO	As reported under LIFO	Effect of Change
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>
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	-

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

12. Effect of using LIFO (continued)

	As computed under FIFO	As reported under LIFO	Effect of Change
Statement of Cash Flows (Continued)			
For the year ended December 31, 2018			
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)	-
Payments to 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>
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 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 and cash equivalents, beginning	<u>747,150</u>	<u>747,150</u>	<u>-</u>
Cash and cash equivalents, ending	<u>\$ 490</u>	<u>\$ 490</u>	<u>\$ -</u>

13. Metal advances

Included in other current assets are metal advances of \$60,000 and \$49,671 as of December 31, 2019 and 2018, respectively. Metal advances represent advances to vendors for metal refining that is either in transit or in process.

14. 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.

COINS 'N THINGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

15. Subsequent events

Subsequent to year end, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a pandemic. In response, most domestic and international governments have imposed various forms of work, social and travel restrictions. The virus and the subsequent responses have caused significant disruption to both domestic and international economies; the impacts of these measures on the Company's operations and financial position remains uncertain. The uncertainty surrounding the length and severity of the economic impact caused by the pandemic could impair the Company's ability to access capital, the ability to deliver services and products to their customers, and reduce demand for their services and products, any of which could have a negative effect on the Company's results of operations and financial condition.

SUPPLEMENTARY INFORMATION



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James Meehan, CPA
Frank T. Sciuto, CPA/PFS, CFP®, MST, MBA/MS
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, 2019 and 2018, and have issued our report thereon dated April 15, 2020, 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 15, 2020

COINS 'N THINGS, INC.
OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
PERSONNEL COSTS		
Employee benefits	\$ 440,863	\$ 385,921
Payroll taxes	246,352	209,770
Salaries, officers	515,287	430,296
Salaries, other	<u>2,303,552</u>	<u>2,176,446</u>
	<u>\$ 3,506,054</u>	<u>\$ 3,202,433</u>
FACILITY COSTS		
Depreciation and amortization	\$ 1,290,000	\$ 1,491,141
Insurance	330,434	365,789
Office supplies and costs	186,435	106,053
Property taxes	112,871	107,137
Rent	500,400	500,400
Repairs and maintenance	207,298	195,035
Telephone	35,134	38,009
Utilities	<u>26,895</u>	<u>22,870</u>
	<u>\$ 2,689,467</u>	<u>\$ 2,826,434</u>
OTHER EXPENSES		
Advertising	\$ 12,400	\$ 25,031
Auto lease	28,818	25,854
Bank service charges	63,802	123,365
Contributions	200	544
Miscellaneous	119,111	111,379
Professional fees	626,514	696,556
Travel	<u>79,586</u>	<u>64,535</u>
	<u>\$ 930,431</u>	<u>\$ 1,047,264</u>