

CNT DEPOSITORY, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017 AND 2016
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

CNT DEPOSITORY, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
CNT Depository, Inc.
Bridgewater, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of CNT Depository, Inc. (a Massachusetts S corporation), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of income and retained earnings, 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 of 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 CNT Depository, Inc. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Di Santo, Priest + Co.

Warwick, Rhode Island
March 23, 2018

CNT DEPOSITORY, INC.
BALANCE SHEET
DECEMBER 31, 2017 AND 2016

ASSETS

	2017	2016
Current assets:		
Cash and cash equivalents	\$ 660,042	\$ 121,710
Accounts receivable	361,130	359,446
Prepaid expenses	243,851	456,976
Due from affiliates	<u>-</u>	<u>43,375</u>
Total current assets	<u>1,265,023</u>	<u>981,507</u>
Property and equipment:		
Store equipment	688,929	688,890
Furniture and office equipment	135,294	91,045
Leasehold improvements	<u>193,555</u>	<u>174,447</u>
	1,017,778	954,382
Accumulated depreciation	<u>(478,081)</u>	<u>(353,708)</u>
	<u>539,697</u>	<u>600,674</u>
Other assets:		
Due from affiliates	<u>2,512,771</u>	<u>1,700,000</u>
Total assets	<u>\$ 4,317,491</u>	<u>\$ 3,282,181</u>

See accompanying notes and independent auditors' report.

LIABILITIES AND STOCKHOLDERS' EQUITY

	2017	2016
Current liabilities:		
Accounts payable	\$ 8,940	\$ -
Accrued expenses	43,661	39,571
Deferred revenue	87,609	56,564
Due to affiliate	<u>9,253</u>	<u>3,598</u>
Total current liabilities	<u>149,463</u>	<u>99,733</u>
Stockholders' equity:		
Common stock	1,000	1,000
Retained earnings	<u>4,167,028</u>	<u>3,181,448</u>
	<u>4,168,028</u>	<u>3,182,448</u>
Total liabilities and stockholders' equity	<u>\$ 4,317,491</u>	<u>\$ 3,282,181</u>

CNT DEPOSITORY, INC.
STATEMENT OF INCOME
AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Net sales	\$ <u>2,390,339</u>	\$ <u>2,284,246</u>
Operating expenses - Schedule 1:		
Personnel costs	201,156	473,828
Facility costs	1,246,305	1,156,392
Other expenses	<u>125,705</u>	<u>175,526</u>
	<u>1,573,166</u>	<u>1,805,746</u>
Operating income	<u>817,173</u>	<u>478,500</u>
Other income:		
Interest income	19,507	-
Rental income	<u>150,000</u>	<u>150,000</u>
	<u>169,507</u>	<u>150,000</u>
Income before provision for income taxes	986,680	628,500
Provision for income taxes	<u>1,100</u>	<u>7,609</u>
Net income	985,580	620,891
Retained earnings, beginning	<u>3,181,448</u>	<u>2,560,557</u>
Retained earnings, ending	<u>\$ 4,167,028</u>	<u>\$ 3,181,448</u>

CNT DEPOSITORY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Net income	\$ <u>985,580</u>	\$ <u>620,891</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	124,373	110,187
(Increase) decrease in operating assets:		
Accounts receivable	(1,684)	(147,911)
Prepaid expenses	213,125	(278,934)
Increase (decrease) in operating liabilities:		
Accounts payable	8,940	-
Accrued expenses	4,090	(9,556)
Deferred revenue	<u>31,045</u>	<u>2,102</u>
Total adjustments	<u>379,889</u>	<u>(324,112)</u>
Net cash provided by operating activities	<u>1,365,469</u>	<u>296,779</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(63,396)	(48,110)
Payments to affiliates	(769,396)	(1,743,375)
Advances from affiliate	<u>5,655</u>	<u>802</u>
Net cash used in investing activities	<u>(827,137)</u>	<u>(1,790,683)</u>
Cash flows from financing activities:		
Net repayments of notes payable	-	(2,065,645)
Repayments to stockholders	<u>-</u>	<u>(1,816,798)</u>
Net cash used in financing activities	<u>-</u>	<u>(3,882,443)</u>
Net increase (decrease) in cash	538,332	(5,376,347)
Cash and cash equivalents, beginning	<u>121,710</u>	<u>5,498,057</u>
Cash and cash equivalents, ending	<u>\$ 660,042</u>	<u>\$ 121,710</u>

See accompanying notes and independent auditors' report.

CNT DEPOSITORY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. Description of business

CNT Depository, Inc. (the “Company”) is engaged in the business of storing and handling precious metals. The Company is an approved depository for silver traded on the New York Commodity Exchange (COMEX), and platinum and palladium traded on the New York Mercantile Exchange (NYMEX).

2. Summary of significant accounting policies

Income taxes

The Company elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income. The shareholders are taxed on their proportionate share of the Company’s taxable income. The Company is required to pay income taxes to the Commonwealth of Massachusetts which imposes a two-part tax on S corporations based on the value of tangible property owned by the Company and the taxable income reported by the Company for the year.

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

Cash and cash equivalents

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

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 is amortized using a three-year life. Depreciation expense for the years ended December 31, 2017 and 2016 was \$124,373 and \$110,187, respectively.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CNT DEPOSITORY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

2. Summary of significant accounting policies (continued)

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 revenue

The Company recognizes revenues as services are performed. Amounts collected in advance of the period in which service is rendered are recorded as a liability under deferred revenue.

Accounts receivable

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on a history of past write-offs and collections and current credit conditions. The Company accrues interest on trade receivables and accounts are written off if no payments are received after reasonable attempts to collect have been made. Management has evaluated open accounts receivable and believe no reserve for bad debts is necessary at December 31, 2017 and 2016.

Advertising

Advertising costs, which are included in other expenses, are expensed as incurred. Advertising expense was \$2,500 and \$6,101 for the years ended December 31, 2017 and 2016, respectively.

Subsequent events

The Company evaluated subsequent events through March 23, 2018, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2017.

3. 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.

4. Concentration of credit risk

The Company places all cash and cash equivalents at Federal Deposit Insurance Corporation (FDIC) insured institutions. The standard insurance amount is \$250,000 per depositor, per insured bank for each account ownership category. At times, cash balances may be in excess of the FDIC insured limits. Accordingly, at December 31, 2017 and 2016, the Company's uninsured cash balance was \$410,042 and \$0, respectively. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

CNT DEPOSITORY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

5. Related party transactions

- a. During the years ended December 31, 2017 and 2016, the Company leased its facilities in Bridgewater, Massachusetts from two related parties; 722 Bedford Street, LLC, and Coins N' Things, Inc., and the combined monthly rent was \$37,500. Both rental agreements have an option to renew annually. Rent expense for each of the years ended December 31, 2017 and 2016 was \$450,000.
- b. During the years ended December 31, 2017 and 2016, the Company sub-leased a portion of its facilities in Bridgewater, Massachusetts to a related party, Coins N' Things, 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 for each of the years ended December 31, 2017 and 2016 was \$150,000.
- c. Due from affiliates consists of unsecured, note receivables between the Company and affiliated entities, which bear interest at 1%. Due from affiliates at December 31, 2017 and 2016 was \$2,512,771 and \$1,743,375, respectively.
- d. At December 31, 2017 and 2016, the Company had an amount due to a related party of \$9,253 and \$3,598, respectively. The balance due is unsecured and non-interest bearing as of December 31, 2017 and 2016.
- e. During each of the years ended December 31, 2017 and 2016, the Company recorded storage fees from a related party of \$60,000 (\$5,000 per month). Accounts receivable at December 31, 2017 and 2016 includes unbilled revenues due from this related party of \$15,000 and \$5,000, respectively.
- f. During 2017, the Company incurred management fees of \$93,054 to a related party for general and administrative costs.

6. Guarantee of related party indebtedness

As of December 31, 2017, the Company was contingently liable as one of three corporate guarantors, in addition to two individual guarantors, with respect to a loan of a related party, Coins N' Things, Inc. The guaranteed loan is a revolving line of credit with a limit of \$55,000,000 effective December 15th through January 15th of each year. The credit limit is then reduced to \$40,000,000 for the period from January 16th through December 14th of each year. The term of the guarantee is through September 30, 2018. At any time through that date, should Coins N' Things, Inc. default on the loan, the Company and other guarantors will be obligated to perform under the guarantee by making the required payments, including any late fees and penalties that may arise. As of December 31, 2017 and 2016, the estimated maximum potential amount of future payments that the Company and other guarantors were required to make under the guarantee was \$40,121,602 and \$41,176,792, respectively.

CNT DEPOSITORY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, contributions to the plan aggregated \$5,240 and \$10,938, respectively. The Company has accrued all unpaid contributions as of the balance sheet date.

8. Major customers

The Company had three major customers which comprised approximately 65% of the total sales for the year ended December 31, 2017. At December 31, 2017, these customers had outstanding accounts receivable balances of \$0.

The Company had four major customers which comprised approximately 74% of the total sales for the year ended December 31, 2016. At December 31, 2016, these customers had outstanding accounts receivable balances of \$0.

9. Common stock

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

Common stock, no par value, 100,000 shares authorized, 10,000 shares issued and 10,000 shares outstanding.

	Authorized	Outstanding
Class A, voting	10,000	100
Class B, nonvoting	90,000	9,900

10. Supplemental disclosure of cash flow information

Cash paid for income taxes was as follows:

	2017	2016
Cash paid for income taxes	\$ 6,384	\$ 7,609

SUPPLEMENTARY INFORMATION



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
CNT Depository, Inc.
Bridgewater, Massachusetts

We have audited the financial statements of CNT Depository, Inc. as of and for the years ended December 31, 2017 and 2016, and have issued our report thereon dated March 23, 2018, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole.

The supplementary information presented in Schedule 1 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit 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.

Di Santo, Priest & Co.

Warwick, Rhode Island
March 23, 2018

CNT DEPOSITORY, INC.
OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Personnel costs:		
Payroll	\$ 136,727	\$ 360,219
Payroll taxes and employee benefits	<u>64,429</u>	<u>113,609</u>
	<u>\$ 201,156</u>	<u>\$ 473,828</u>
Facility costs:		
Depreciation	\$ 124,373	\$ 110,187
Equipment lease	3,404	5,232
Insurance	217,413	269,725
Property tax expense	52,018	49,425
Rent	450,000	450,000
Repairs and maintenance	48,256	64,961
Security	84,889	83,946
Shipping costs	162,259	41,313
Supplies	8,929	8,670
Telephone	20,219	24,331
Utilities	<u>74,545</u>	<u>48,602</u>
	<u>\$ 1,246,305</u>	<u>\$ 1,156,392</u>
Other expenses:		
Advertising	\$ 2,500	\$ 6,101
Miscellaneous	-	419
Office expense	26,543	40,512
Professional fees	91,422	117,556
Profit sharing expense	<u>5,240</u>	<u>10,938</u>
	<u>\$ 125,705</u>	<u>\$ 175,526</u>