

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

CNT DEPOSITORY, INC.
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John J. Brough, Jr., CPA/ABV/CFF, MST
Emilio N. Colapietro, CPA, MST
Robert A. D'Amico, CPA, CFP®, MST
David P. DiSanto, CPA, MST, PFS
Jacqueline B. Gaipo, CPA, MST
Peter M. Gervais, CPA, CFP®, MST
Arthur Lambi, CPA
Michael J. Mellor, CPA
Robert L. Pasquazzi, CPA, MST
William R. Pirolli, CPA/CFF/PFS/CGMA
James P. Queenan, CPA/CFF, MST
Leah J. Szlatenyi, CPA/ABV/CFF, CVA, MSPFP, MST
Stuart E. Woodard, CPA
Steven J. Zaroogian, CPA, MST, MBA

Thomas N. Forsythe, CPA/CGMA, MST, MBA
James Martin, CPA
James Meehan, CPA
Frank T. Sciuto, CPA/PFS, CFP®, MST, MBA/MS
Thomas Markarian, CPA*

* Deceased

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, 2018 and 2017, 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 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 CNT Depository, 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.

DiSanto, Priest + Co.

Warwick, Rhode Island
March 20, 2019

CNT DEPOSITORY, INC.
BALANCE SHEET
DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
Current assets:		
Cash and cash equivalents	\$ 48,775	\$ 660,042
Accounts receivable	261,940	361,130
Prepaid expenses	<u>117,408</u>	<u>243,851</u>
Total current assets	<u>428,123</u>	<u>1,265,023</u>
 Property and equipment:		
Store equipment	716,032	688,929
Furniture and office equipment	138,414	135,294
Leasehold improvements	<u>193,555</u>	<u>193,555</u>
	1,048,001	1,017,778
 Accumulated depreciation	<u>(604,224)</u>	<u>(478,081)</u>
	<u>443,777</u>	<u>539,697</u>
 Other assets:		
Due from affiliates	<u>4,602,650</u>	<u>2,512,771</u>
 Total assets	<u>\$ 5,474,550</u>	<u>\$ 4,317,491</u>

See accompanying notes and independent auditors' report.

LIABILITIES AND STOCKHOLDERS' EQUITY

	2018	2017
Current liabilities:		
Accounts payable	\$ 3,161	\$ 8,940
Accrued expenses	92,667	43,661
Deferred revenue	166,999	87,609
Due to affiliate	<u>213,899</u>	<u>9,253</u>
Total current liabilities	<u>476,726</u>	<u>149,463</u>
Stockholders' equity:		
Common stock	1,000	1,000
Retained earnings	<u>4,996,824</u>	<u>4,167,028</u>
	<u>4,997,824</u>	<u>4,168,028</u>
Total liabilities and stockholders' equity	<u>\$ 5,474,550</u>	<u>\$ 4,317,491</u>

CNT DEPOSITORY, INC.
STATEMENT OF INCOME
AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Net sales	<u>\$ 3,620,726</u>	<u>\$ 2,390,339</u>
Operating expenses - Schedule 1:		
Personnel costs	1,021,546	201,156
Facility costs	1,642,485	1,246,305
Other expenses	<u>296,684</u>	<u>125,705</u>
	<u>2,960,715</u>	<u>1,573,166</u>
Operating income	<u>660,011</u>	<u>817,173</u>
Other income:		
Interest income	34,785	19,507
Rental income	<u>150,000</u>	<u>150,000</u>
	<u>184,785</u>	<u>169,507</u>
Income before provision for income taxes	844,796	986,680
Provision for income taxes	<u>15,000</u>	<u>1,100</u>
Net income	829,796	985,580
Retained earnings, beginning	<u>4,167,028</u>	<u>3,181,448</u>
Retained earnings, ending	<u>\$ 4,996,824</u>	<u>\$ 4,167,028</u>

CNT DEPOSITORY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Net income	\$ <u>829,796</u>	\$ <u>985,580</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	126,143	124,373
(Increase) decrease in operating assets:		
Accounts receivable	99,190	(1,684)
Prepaid expenses	126,443	213,125
Increase (decrease) in operating liabilities:		
Accounts payable	(5,779)	8,940
Accrued expenses	49,006	4,090
Deferred revenue	<u>79,390</u>	<u>31,045</u>
Total adjustments	<u>474,393</u>	<u>379,889</u>
Net cash provided by operating activities	<u>1,304,189</u>	<u>1,365,469</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(30,223)	(63,396)
Payments to affiliates	(2,089,879)	(769,396)
Advances from affiliate	<u>204,646</u>	<u>5,655</u>
Net cash used in investing activities	<u>(1,915,456)</u>	<u>(827,137)</u>
Net increase (decrease) in cash	(611,267)	538,332
Cash and cash equivalents, beginning	<u>660,042</u>	<u>121,710</u>
Cash and cash equivalents, ending	<u>\$ 48,775</u>	<u>\$ 660,042</u>

CNT DEPOSITORY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 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.

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, 2018 and 2017 was \$126,143 and \$124,373, 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, 2018 AND 2017

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, 2018 and 2017.

Advertising

Advertising costs, which are included in other expenses, are expensed as incurred. Advertising expense was \$62,544 and \$2,500 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 consolidated 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

CNT DEPOSITORY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. Summary of significant accounting policies (continued)

Recently issued but not yet effective accounting pronouncements (continued)

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.

Subsequent events

The Company evaluated subsequent events through March 20, 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. 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, 2018 and 2017, the Company's uninsured cash balance was \$0 and \$410,042, respectively. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

5. Related party transactions

- a. During the years ended December 31, 2018 and 2017, 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, 2018 and 2017 was \$450,000.
- b. During the years ended December 31, 2018 and 2017, 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, 2018 and 2017 was \$150,000.

CNT DEPOSITORY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

5. Related party transactions (continued)

- 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, 2018 and 2017 was \$4,602,650 and \$2,512,771, respectively.
- d. At December 31, 2018 and 2017, the Company had an amount due to a related party of \$213,899 and \$9,253, respectively. The balance due is unsecured and non-interest bearing as of December 31, 2018 and 2017.
- e. During each of the years ended December 31, 2018 and 2017, the Company recorded storage fees from a related party of \$60,000 (\$5,000 per month). Accounts receivable at December 31, 2018 and 2017 includes unbilled revenues due from this related party of \$0 and \$15,000, respectively.
- f. During each of the years ended December 31, 2018 and 2017, the Company incurred storage fees charged by a related party of \$379,701 and \$93,054, respectively.
- g. During each of the years ended December 31, 2018 and 2017, the Company incurred shipping costs charged by a related party of \$108,558 and \$35,330, respectively.

6. Guarantee of related party indebtedness

As of December 31, 2018, 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 December 31, 2021. 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, 2018 and 2017, the estimated maximum potential amount of future payments that the Company and other guarantors were required to make under the guarantee was \$38,816,490 and \$40,121,602, respectively.

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 \$21,975 and \$5,240, respectively. The Company has accrued all unpaid contributions as of the balance sheet date.

CNT DEPOSITORY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

8. Major customers

The Company had two major customers which comprised approximately 70% of the total sales for the year ended December 31, 2018. At December 31, 2018, these customers had outstanding accounts receivable balances of \$15,225.

The Company had four 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.

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, 2018 and 2017:

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:

	2018	2017
Cash paid for income taxes	\$ 0	\$ 6,384

11. 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 for the prior year.

SUPPLEMENTARY INFORMATION

John J. Brough, Jr., CPA/ABV/CFE, MST
Emilio N. Colapietro, CPA, MST
Robert A. D'Amico, CPA, CFP®, MST
David P. DiSanto, CPA, MST, PFS
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Thomas Markarian, CPA*

* Deceased

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, 2018 and 2017, and have issued our report thereon dated March 20, 2019, 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.

DiSanto, Priest + Co.

Warwick, Rhode Island
March 20, 2019

CNT DEPOSITORY, INC.
OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Personnel costs:		
Payroll	\$ 848,837	\$ 136,727
Payroll taxes and employee benefits	<u>172,709</u>	<u>64,429</u>
	<u>\$ 1,021,546</u>	<u>\$ 201,156</u>
Facility costs:		
Depreciation	\$ 126,143	\$ 124,373
Equipment lease	4,452	3,404
Insurance	217,685	217,413
Property tax expense	62,935	52,018
Rent	450,000	450,000
Repairs and maintenance	75,040	48,256
Security	87,510	84,889
Shipping costs	128,893	69,205
Storage expenses	379,701	93,054
Supplies	11,234	8,929
Telephone	14,370	20,219
Utilities	<u>84,522</u>	<u>74,545</u>
	<u>\$ 1,642,485</u>	<u>\$ 1,246,305</u>
Other expenses:		
Advertising	\$ 62,544	\$ 2,500
Auto	8,660	-
Miscellaneous	6,729	-
Office expense	80,924	26,543
Professional fees	115,852	91,422
Profit sharing expense	<u>21,975</u>	<u>5,240</u>
	<u>\$ 296,684</u>	<u>\$ 125,705</u>