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**FINE MORTUARY COLLEGE, LLC**

**FINANCIAL STATEMENTS**  
**WITH**  
**INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED MAY 31, 2020 AND 2019**

## FINE MORTUARY COLLEGE, LLC

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## **INDEPENDENT AUDITORS' REPORT**

To the Members  
Fine Mortuary College, LLC  
Norwood, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Fine Mortuary College, LLC (a Massachusetts limited liability company) (hereinafter referred to as the Institute), which comprise the balance sheet as of May 31, 2020 and 2019, and the related statements of income and members' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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

## FINANCIAL STATEMENTS

**FINE MORTUARY COLLEGE, LLC**  
**BALANCE SHEETS**  
**MAY 31, 2020 AND 2019**

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ASSETS	2020	2019
	<u>          </u>	<u>          </u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 565,465	\$ 241,585
Accounts receivable, net of allowance for doubtful accounts of \$12,340 and \$20,589, respectively	69,774	162,806
Prepaid expenses	24,984	25,130
Inventory	<u>46,655</u>	<u>43,307</u>
<b>TOTAL CURRENT ASSETS</b>	<u>706,878</u>	<u>472,828</u>
<b>FIXED ASSETS</b>		
Computers and equipment	27,638	27,638
Leasehold improvements	<u>13,663</u>	<u>13,663</u>
	41,301	41,301
Accumulated depreciation	<u>(21,960)</u>	<u>(16,119)</u>
<b>NET FIXED ASSETS</b>	<u>19,341</u>	<u>25,182</u>
<b>OTHER ASSETS</b>		
Due from related parties, unsecured	604,775	553,623
Organizational costs, net of amortization	49,524	55,176
Deposits	<u>13,173</u>	<u>13,173</u>
<b>TOTAL OTHER ASSETS</b>	<u>667,472</u>	<u>621,972</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,393,691</u></u>	<u><u>\$ 1,119,982</u></u>

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See accompanying notes to the financial statements

	2020	2019
<b>CURRENT LIABILITIES</b>		
Accounts payable	49,330	

**FINE MORTUARY COLLEGE, LLC**  
**STATEMENTS OF INCOME AND MEMBERS' EQUITY**  
**FOR THE YEARS ENDED MAY 31, 2020 AND 2019**

	2020		2019	
	Amount	Pct.	Amount	Pct.
REVENUES	<u>\$ 1,695,111</u>	<u>100.00 %</u>	<u>\$ 1,773,047</u>	<u>100.00 %</u>
COST OF REVENUES				
Education supplies	<u>184,297</u>	<u>10.87</u>	<u>212,839</u>	<u>12.00</u>
GROSS PROFIT	1,510,814	89.13	1,560,208	88.00
OPERATING EXPENSES	<u>1,104,207</u>	<u>65.13</u>	<u>984,875</u>	<u>55.55</u>
NET INCOME FROM OPERATIONS	406,607	24.00	575,333	32.45
OTHER INCOME				
Grant income	101,355	5.98	-	-
Interest income	1,041	0.06	864	0.05
Miscellaneous income	<u>370</u>	<u>0.02</u>	<u>-</u>	<u>-</u>
TOTAL OTHER INCOME	<u>102,766</u>	<u>6.06</u>	<u>864</u>	<u>0.05</u>
NET INCOME	509,373	<u>30.06 %</u>	576,197	<u>32.50 %</u>
MEMBERS' EQUITY - BEGINNING OF YEAR	688,573		339,585	
DISTRIBUTIONS	<u>(270,593)</u>		<u>(227,209)</u>	
MEMBERS' EQUITY - END OF YEAR	<u>\$ 927,353</u>		<u>\$ 688,573</u>	

See accompanying notes to financial statements.



**FINE MORTUARY COLLEGE, LLC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MAY 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 509,373	576,197
Adjustments to reconcile net income to cash from operating activities:		
Depreciation and amortization	11,493	11,967
(Increase) decrease in:		
Accounts receivable	93,032	(116,033)
Deposits	-	(1,850)
Prepaid expenses	146	(10,083)
Inventory	(3,348)	(10,822)
Due from related parties, unsecured	(51,152)	(311,287)
Increase (decrease) in:		
Accounts payable	(11,333)	43,672
Accrued liabilities	(14,737)	(13,005)
Unearned tuition	(30,346)	(8,469)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>503,128</b>	<b>160,287</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Organizational costs incurred	-	(57,231)
Purchase of fixed assets	-	(16,006)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>-</b>	<b>(73,237)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans from members	91,345	-
Member distributions	(270,593)	(227,209)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(179,248)</b>	<b>(227,209)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>323,880</b>	<b>(140,159)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>241,585</b>	<b>381,744</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 565,465</b>	<b>241,585</b>

See accompanying notes to financial statements.

**FINE MORTUARY COLLEGE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020 AND 2019**

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**NOTE A – BUSINESS ACTIVITIES**

Fine Mortuary College, LLC (the Institute), a Massachusetts limited liability corporation, operates a private two-year college in Norwood, Massachusetts. The Institute educates and trains students in the funeral service profession. The Institute is accredited by the American Board of Funeral Service Education.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting:

The Institute's policy is to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting.

Cash and Cash Equivalents:

Cash includes currency on hand and demand deposits with financial institutions. Cash equivalents are short-term, highly liquid investments readily convertible to known amounts of cash, with a stated maturity of three months or less. At times cash balances may exceed the limits insured by the Federal Deposit Insurance Corporation. For the year ended May 31, 2020 excess cash uninsured was \$298,633.

Accounts Receivable:

Student receivables are recorded at amounts originally billed, less payments received, and are non-interest bearing. The allowance for doubtful accounts is based upon individual student collections and the amount of past due receivables for all students no longer enrolled whose collectability is in doubt. The allowance for the years ended May 31, 2020 and 2019 was \$12,340 and \$20,589, respectively. Accounts deemed uncollectible are charged to bad debt expense at management's discretion. Total bad debt for the years ended May 31, 2020 and 2019 was \$74,459 and \$8,249, respectively.

Inventory:

Inventory is carried at cost and determined by the first-in, first-out (FIFO) method of accounting and consists of books and various supplies.

Fixed Assets:

Property, equipment and improvements are stated at cost. The Institute utilizes the straight-line method of depreciation for financial reporting purposes at rates based on the following estimated useful lives of the assets:

Computers and equipment	3 – 10 years
Leasehold improvements	5 – 7 years

Repairs and maintenance, which do not extend the lives of the applicable assets, are charged to expense as incurred. Gain or loss resulting from retirement or other disposition of assets is included in income. Depreciation expense for the years ended May 31, 2020 and 2019 was \$5,841 and \$6, A.nt or

**FINE MORTUARY COLLEGE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020 AND 2019**

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NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs:

Advertising and marketing costs are expensed as incurred. Advertising expense for the years ended May 31, 2020 and 2019 was \$22,444 and \$19,913, respectively.

Compensated Absences:

There were no accrued compensated absences recorded on the books as of May 31, 2020 and 2019. The Institute expenses vacation pay as paid. If vacation benefits were accrued as earned it would not have a material effect on the financial statements.

Fair Value Measurements:

The carrying values of financial instruments that are current assets or current liabilities are reasonable estimates



**FINE MORTUARY COLLEGE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020 AND 2019**

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NOTE D – OBLIGATIONS UNDER OPERATING LEASE (CONTINUED)

The schedule of future minimum lease payments for leases are as follows:

<u>Year ending May 31,</u>	<u>Amount</u>
2021	\$ 125,760
2022	125,760
2023	125,760
2024	125,760
2025	125,760
Thereafter	<u>31,440</u>
	<u>\$ 660,240</u>

NOTE E – REVENUE RECOGNITION

The School determines revenue recognition through the five-step model outlined in Accounts Standards Update (ASU) Topic 606, *Revenue from Contracts with Customers*, as follows:

1. Identification of the contract with a student;
2. Identification of the performance obligations in the contract;
3. Determination of the transaction price;
- 4.

**FINE MORTUARY COLLEGE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020 AND 2019**

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**NOTE F – 90/10 CALCULATION**

The Institute derives a substantial portion of their revenue from Federal Student Financial Aid (SFA) received by its students under the Title IV programs administered by the U.S. Department of Education (ED) pursuant to the Higher Education Act of 1965, as amended (HEA). To continue to participate in the SFA programs, the Institute must comply with the regulations promulgated under the HEA. The regulations restrict the proportion of cash receipts for tuition and fees from eligible programs to not more than 90 percent from the Title IV programs. The failure of the Institute to meet the 90 percent limitation will result in the loss of their ability to participate in SFA programs.

For the year ended May 31, 2020, detail of the Institute’s Title IV funds and eligible cash receipts with resulting percentages are as follows:

	<b>Amount Disbursed</b>	<b>Adjusted Amount</b>
<b>Adjusted Student Title IV Revenue</b>		
Federal Pell Grant and FSEOG Grant	197,862	\$ 197,862
Subsidized Direct Loan, Unsubsidized Direct Loan and PLUS Loan	859,723	859,723
<b>Total Student Title IV Revenue</b>	<b>1,057,585</b>	<b>\$ 1,057,585</b>
 <b>Revenue Adjustment</b>		
Refunds to students and Title IV refunds for students		(54,919)
<b>Adjusted Student Title IV Revenue</b>		<b>1,002,666</b>
Office of Vocational Rehabilitation and other State Agencies	-	
Workforce Grants	-	
Outside Scholarships	-	
Student payments-current charges	579,096	
State Grant Programs	-	
VA benefits considered as student payments	-	
<b>Total Student Non-Title IV Revenue</b>	<b>579,096</b>	
 <b>Revenues from Other Sources</b>		
Activities conducted by the Institute that are necessary for education and training-Clinic Income	-	
<b>Revenues from Other Sources</b>	<b>-</b>	

**FINE MORTUARY COLLEGE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2020 AND 2019**

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**NOTE G – REGULATORY**

To participate in the Title IV programs, an institution is subject to extensive regulation and periodic reviews by the federal and state governmental agencies, and accrediting bodies involved. An institution must be authorized to offer its programs of instruction by the relevant agencies of the state in which it is located, accredited by an accrediting agency recognized by ED and granted eligibility by ED for participation in the Title IV programs. On a periodic basis, an institution must be re-approved by these agencies to continue to receive Title IV funds. An institution must also demonstrate its compliance with the HEA and the regulations promulgated there-under to ED on an ongoing basis. Political and budgetary concerns can significantly affect Title IV Programs, and Congress must reauthorize the HEA approximately every six years. As of May 31, 2020, the Institute was properly authorized by the regulatory agencies involved and no regulatory reviews were being conducted by the respective agencies.

Institutions participating in Title IV





SUPPLEMENTARY  
INFORMATION

**FINE MORTUARY COLLEGE, LLC**  
**SCHEDULE I - STATEMENTS OF OPERATING EXPENSES**  
**FOR THE YEARS ENDED MAY 31, 2020 AND 2019**

	2020		2019	
	Amount	Pct.	Amount	Pct.
Payroll expense	\$ 409,349	24.15 %	\$ 427,886	24.13 %
Rent	154,974	9.14	154,230	8.70
Professional fees	123,400	7.28	9,039	0.51
Bad debt	74,459	4.39	8,249	0.47
Employee benefits	46,310	2.73	50,177	2.83
Payroll taxes	44,786	2.64	58,321	3.29
Office expense	34,660	2.04	42,921	2.42
Travel	29,703	1.75	41,714	2.35
Licenses and fees	29,339	1.73	21,227	1.20
Auto expense	25,993	1.53	23,858	1.35
Utilities	25,842	1.52	28,597	1.61
Education expense	25,573	1.51	36,618	2.07
Repairs and maintenance	23,452	1.38	31,882	1.80
Advertising	22,444	1.32	19,913	1.12
Insurance	21,789	1.29	16,306	0.92
Depreciation and amortization	11,493	0.68	11,967	0.67
Other taxes	641	0.05	1,970	0.11
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 1,104,207</b>	<b>65.13 %</b>	<b>\$ 984,875</b>	<b>55.55 %</b>

See accompanying notes to the financial statements



**FINE MORTUARY COLLEGE, LLC**  
**SCHEDULE II - FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE**

Line # and/or Footnote #	<b>PRIMARY RESERVE RATIO</b>		Amount	Amount
<b>ADJUSTED EQUITY</b>				
26	Balance Sheet-Total Equity	Total Equity		927,353
N/A	Balance Sheet-Related party receivables net of payables	Secured and unsecured related party receivables and/or other related party assets	604,775	-
N/A	Balance Sheet-Related party receivables net of payables	Unsecured and related party receivables and/or other related party assets	-	(604,775)
6	Balance Sheet- Property, plant and equipment-net	Property, plant and equipment-net - (includes construction in progress)	19,341	
	Note to Financial Statements- Balance Sheet-Property, plant and equipment-net pre-implementation	Property, plant and equipment-net pre-implementation less any construction in progress		(19,341)
	Note to Financial Statements- Balance Sheet-Property, plant and equipment-net post-implementation with outstanding debt for original purchase	Property, plant and equipment-net post-implementation with outstanding debt for original purchase (less any construction in progress with outstanding debt)		
	Note to Financial Statements- Balance Sheet-Property, plant and equipment-net post-implementation without outstanding debt for original purchase	Property, plant and equipment-net post-implementation without outstanding debt for original purchase less any construction in progress with outstanding debt)	-	
	Note to Financial Statements- Construction in Progress	Construction in progress		-
n/a	Balance Sheet--Lease right-of-use assets, net	Lease right-of-use asset, net		-

See independent auditors' report.

Line # and/or  
Footnote #

**PRIMARY RESERVE RATIO**

Amount    Amount

Line # and/or  
Footnote #

**PRIMARY RESERVE RATIO**

Amount

Amount

Line # and/or Footnote #		<b>EQUITY RATIO</b>	Amount	Amount
		<b>MODIFIED ASSETS (continued)</b>		
n/a	Balance Sheet- Goodwill	Intangible assets	49,524	(49,524)
	Balance Sheet- Related party receivable and related	Secured and unsecured related party receivable and/or	604,775	
n/a	party note disclosure	other related party assets		-
	Balance Sheet- Related party receivable and related	Unsecured related party receivable and/or other		
n/a	party note disclosure	related party assets		(604,775)
				739,392
		<b>NET INCOME RATIO</b>		
39	Statement of Income- Net Income before Income Taxes	Net Income before Taxes	.sure	

Note for Lease Right-of-Use-Assets

A	Lease right-of-use-assets- pre-implementation	-	Remove from assets
B	Lease right-of-use-assets- post-implementation	-	
	Total	-	

Note for Lease Right-of-Use-Asset Liability

A	Lease right-of-use-assets liability- pre-implementation	-	Remove from liabilities
B	Lease right-of-use-assets liability- post-implementation	-	
	Total	-	

Note for Net Property, Plant and Equipment

A	Pre-implementation Property, Plant and Equipment
B	Post-implementation Property, Plant and Equipment
C	Construction in Progress
D	Post-implementation Property, Plant and Equipment

Note for long-term debt for long-term purposes

19,341	A	Pre-implementation Long-Term Debt	-
	B	Allowable Post-implementation Long-Term Debt	-
	C	Construction in Progress-Debt	-
	D	Lon	-



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

To the Members  
Fine Mortuary College, LLC  
Norwood, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fine Mortuary College, LLC (hereinafter referred to as the Institute), which comprise the balance sheet as of May 31 2020, and the related statements of income and members' equity and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 19, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Institute's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS  
(continued)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Institute's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. Such tests included compliance as set forth in the Guide for Audits of Proprietary Schools and for Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs, issued by the U.S Department of Education, Office of Inspector General (the Guide); including those relating to related parties and percentage of revenue derived from Title IV programs. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Guide.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance