

FINE MORTUARY COLLEGE, LLC
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED MAY 31, 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, 2019, and the related statements of income and changes in members' equity and cash flows for the year 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 audit. We conducted our audit 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.

FINANCIAL STATEMENTS

FINE MORTUARY COLLEGE, LLC
BALANCE SHEET
MAY 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 241,585
Accounts receivable, net of allowance of \$20,589	162,806
Prepaid expenses	25,130
Inventory	43,307

TOTAL CURRENT ASSETS 472,828

FIXED ASSETS

Computers and equipment	27,638
Leasehold improvements	13,663
	<u>41,301</u>
Accumulated depreciation	(16,119)

NET FIXED ASSETS 25,182

OTHER ASSETS

Due from Vanede, LLC	553,623
Organizational costs, net of amortization	55,176
Deposits	13,173

TOTAL OTHER ASSETS 621,972

TOTAL ASSETS \$ 1,119,982

See accompanying notes to financial statements.

CURRENT LIABILITIES

FEDERATED MORTGAGE CORP.
STATEMENTS OF INCOME AND MEMBERS' EQUITY
FOR THE YEAR ENDED MAY 31, 2019

	Amount	Percent
REVENUES	\$ 1,773,047	100.00 %
COST OF REVENUES		
Education supplies	212,839	12.00
GROSS PROFIT	1,560,208	88.00
OPERATING EXPENSES	984,875	55.55
NET INCOME FROM OPERATIONS	575,333	32.45
OTHER INCOME		
Interest income	864	0.05
TOTAL OTHER INCOME	864	0.05
NET INCOME	576,197	32.50 %
MEMBERS' EQUITY - BEGINNING OF YEAR	339,585	
DISTRIBUTIONS	(227,209)	
MEMBERS' EQUITY - END OF YEAR	\$ 688,573	

See accompanying notes to financial statements.

FINE MORTUARY COLLEGE, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	\$ 576,197
Adjustments to reconcile net income to cash from operating activities:	
Depreciation and amortization	11,967
(Increase) decrease in:	
Accounts receivable	(116,033)
Deposits	(1,850)
Prepaid expenses	(10,083)
Inventory	(10,822)
Due from Vanede, LLC	(311,287)
Increase (decrease) in:	
Accounts payable	43,672
Accrued liabilities	(13,005)
Unearned tuition	(8,469)
	<u>160,287</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>160,287</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Organizational costs incurred	(57,231)
Purchase of fixed assets	(16,006)
	<u>(73,237)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(73,237)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Member distributions	(227,209)
	<u>(227,209)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(227,209)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(140,159)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>381,744</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 241,585</u></u>

See accompanying notes to financial statements.

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

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.

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. Accounts deemed uncollectible are charged to bad debt expense at management's discretion. Total bad debt for the year ended May 31, 2019 was \$8,249.

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.

Property, Equipment and Improvements:

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements:

The carrying values of financial instruments that are current assets or current liabilities are reasonable estimates of the fair value given its short-term nature. Long-term notes are not measured at fair value given the nature of the notes and lack of any derivative applicability.

Income Taxes:

The Institute is taxed as a partnership and does not incur income taxes. Instead, the earnings and losses flow to the members and are taxed appropriately at their respective individual income tax rates. Accordingly, the financial statements do not reflect a provision or benefit for income taxes. Members are reimbursed by the Institute via distributions for personal tax obligations related to the taxable income of the Institute.

The Institute follows the provision of the Financ

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

NOTE C – RELATED PARTY TRANSACTIONS

The Institute participates in Federal Student Financial Aid (SFA) 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). The Institute must comply with the regulations promulgated under HEA. Those regulations require that all related party transactions be disclosed, regardless of their materiality to the financial statements.

Advances:

During 2019, the Institute made advances to Vanede, LLC, an entity related through common ownership totaling \$311,287. As of May 31, 2019, the outstanding balance was \$553,623. The amount is not expected to be paid in the short-term and is classified as noncurrent in the accompanying balance sheet.

During 2018, one of the members made an advance to the Institute totaling \$15,308. The amount is not expected to be paid in the short-term and is classified as noncurrent in the acco

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

NOTE E – 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

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

NOTE F – 90/10 CALCULATION (CONTINUED)

For the year ended May 31, 2019, detail of the Institute’s Title IV funds and eligible cash receipts with resulting percentages are as follows:

Revenue by Source

Adjusted Student Title IV Revenue:

Federal Pell grant	\$ 225,994
R2T4	(79,138)
FSEOG	6,751
Direct loans - Sub	269,441
Direct loans - Unsub	575,301
Direct loans - PLUS	<u>58,845</u>
Total Student Title IV Revenue	<u><u>\$ 1,057,194</u></u>

Student Non-Title IV Revenue:

Veterans Administration payments	\$ 0
MO state agency payments	0
Student payments (direct and agency collections)	499,739
Outside scholarships, institutional	0
Outside scholarships, not institutional	<u>0</u>
Total Student Non-Title IV Revenue	<u><u>\$ 499,739</u></u>

<u>Student Title IV Revenue</u>	<u>\$ 1,057,194</u>	
Student Title IV Revenue + Student Non-Title IV Revenue	\$ 1,556,933	67.90%

The above information is a required disclosure by the U.S Department of Education.

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

NOTE G – EMPLOYEE BENEFIT PLAN

The Institute participates in a Savings Incentive Match Plan for Employees. The Plan covers all employees regardless of age with at least two years of service and that have earned a minimum of \$5,000 of compensation for each of the previous two years. The Institute may match up to 3% of each employees' gross compensation. The Institute made matching contributions totaling \$1,841 for the year ended May 31, 2019.

NOTE H — SUBSEQUENT EVENT

Management has evaluated and determined there are no subsequent events necessary for disclosure as of the date of the independent auditors' report.

SUPPLEMENTARY
INFORMATION

	Amount	Percent
Payroll expense	\$ 427,886	24.13 %
Rent	154,230	8.70
Payroll taxes	58,321	3.29
,857ent		

**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 2019, and the related statements of income and changes in 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 October 17, 2019.

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) to determine 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency (item 2019-1).

**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 determination of financial statement amounts. Such tests included compliance tests 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Audit Guide and which are described in the accompanying schedule of findings and responses as item 2019-1.

Fine Mortuary College's Response to Findings

The Institute's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Institute's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wilke & Associates, LLP
Pittsburgh Pennsylvania

October 17, 2019

FINE MORTUARY COLLEGE, LLC
SCHEDULE OF FINDINGS AND RESPONSES
MAY 31, 2019

2019-1. 90-10 Ratio

Observation

The School calculated a 90-10 ratio of 67.76%. Based on testing of individual students the Auditor determined the ratio to be 67.90%. The School concurred with the auditor.

Recommendation

The Auditor determined that this was an isolated mathematical error and, therefore, made no recommendation.

Management Response

Management concurred with the Auditor.