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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 position of Fine Mortuary College, LLC, as of May 31, 2020 and 2019 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules are presented for purposes of additional analysis and are 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 consolidated 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 statements 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Note C on related party transactions and Note F on the Institute's calculation of its Title IV 90/10 revenue ratio are required by the U.S. Department of Education and are presented for purposes of additional analysis and are not a required part of the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2021 on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.



Wilke & Associates, LLP
Pittsburgh, Pennsylvania

May 19, 2021

FINANCIAL STATEMENTS

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

ASSETS	2020	2019
CURRENT ASSETS		
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	46,655	43,307
TOTAL CURRENT ASSETS	706,878	472,828
FIXED ASSETS		
Computers and equipment	27,638	27,638
Leasehold improvements	13,663	13,663
	41,301	41,301
Accumulated depreciation	(21,960)	(16,119)
NET FIXED ASSETS	19,341	25,182
OTHER ASSETS		
Due from related parties, unsecured	604,775	553,623
Organizational costs, net of amortization	49,524	55,176
Deposits	13,173	13,173
TOTAL OTHER ASSETS	667,472	621,972
TOTAL ASSETS	\$ 1,393,691	\$ 1,119,982

See accompanying notes to the financial statements

LIABILITIES AND MEMBERS' EQUITY

	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Accounts payable	\$ 49,330	\$ 60,663
Accrued liabilities	23,097	37,834
Loan from members	91,345	-
Unearned tuition	<u>287,258</u>	<u>317,604</u>
 TOTAL CURRENT LIABILITIES	 <u>451,030</u>	 <u>416,101</u>
 OTHER LIABILITIES		
Member advances	<u>15,308</u>	<u>15,308</u>
 TOTAL LIABILITIES	 <u>466,338</u>	 <u>431,409</u>
 MEMBERS' EQUITY	 <u>927,353</u>	 <u>688,573</u>
 TOTAL LIABILITIES AND MEMBERS' EQUITY	 <u><u>\$ 1,393,691</u></u>	 <u><u>\$ 1,119,982</u></u>

See accompanying notes to the financial statements

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	\$ 1,695,111	100.00 %	\$ 1,773,047	100.00 %
COST OF REVENUES				
Education supplies	184,297	10.87	212,839	12.00
GROSS PROFIT	1,510,814	89.13	1,560,208	88.00
OPERATING EXPENSES	1,104,207	65.13	984,875	55.55
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	370	0.02	-	-
TOTAL OTHER INCOME	102,766	6.06	864	0.05
NET INCOME	509,373	<u>30.06 %</u>	576,197	<u>32.50 %</u>
MEMBERS' EQUITY - BEGINNING OF YEAR	688,573		339,585	
DISTRIBUTIONS	(270,593)		(227,209)	
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
CASH FLOWS FROM OPERATING ACTIVITIES		
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)
NET CASH PROVIDED BY OPERATING ACTIVITIES	503,128	160,287
CASH FLOWS FROM INVESTING ACTIVITIES		
Organizational costs incurred	-	(57,231)
Purchase of fixed assets	-	(16,006)
NET CASH USED BY INVESTING ACTIVITIES	-	(73,237)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans from members	91,345	-
Member distributions	(270,593)	(227,209)
NET CASH USED BY FINANCING ACTIVITIES	(179,248)	(227,209)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	323,880	(140,159)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	241,585	381,744
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 565,465	241,585

See accompanying notes to financial statements.

FINE MORTUARY COLLEGE, LLC
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2020 AND 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. 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 \$6,316, respectively. The equipment and related accumulated depreciation at May 31, 2020 is considered pre-implementation for composite score calculation.

Intangibles:

Organizational costs related to start-up costs are amortized over 15 years. Amortization expense related to organizational costs for both the years ended May 31, 2020 and 2019 was \$5,652. The organizational costs and related accumulated amortization at May 31, 2020 is considered pre-implementation for composite score calculation.

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

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 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10-65-1 *Income Taxes Basic Recognition Threshold*, which provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FASB ASC 740-10-65-1 requires the evaluation of the tax position taken by the Institute and to determine whether tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. As of May 31, 2020, no tax position taken by the Institute would be subject to this provision.

The Institute file tax returns in the U.S. federal and state of Massachusetts jurisdictions. The Institute is no longer subject to U.S. federal or state income tax examinations by tax authorities for the years prior to 2017. There are no open tax years for filing purposes.

Use of Estimates

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

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Financial Accounting Standards Pronouncements:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 which became Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration of which the entity expects to be entitled in exchange for these services. The Institute began applying the new principle effective June 1, 2020. The Institute has analyzed the provisions of Topic 606 and has concluded that no changes are necessary to conform with the new standard.

In February 2016, the FASB issued ASU No. 2016-02 which became ASC Topic 842, *Leases*. The principle of Topic 842 is that an entity should recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing transactions. The effective date for implementation of this standard is June 1, 2022. The Institute is currently evaluating the effects of this pronouncement and its impact on operations and financial reporting.

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 2020, two of the members made advances to the Institute totaling \$91,345. The amount is expected to be paid back in the short-term and is classified as current in the accompanying balance sheet.

The Institute periodically makes advances to Vanede, LLC, an entity related through common ownership. As of May 31, 2020 and 2019, the outstanding balance was \$598,695 and \$553,623, respectively. The amount is not expected to be paid in the short-term and is classified as noncurrent in the accompanying balance sheet.

One of the members made an advance to the Institute. The amount is not expected to be paid in the short-term and is classified as noncurrent in the accompanying balance sheet. As of May 31, 2020 and 2019, the outstanding balance was \$15,308.

NOTE D – OBLIGATIONS UNDER OPERATING LEASE

The Institute leases a facility under a non-cancellable lease agreement. The lease calls for monthly payments of \$10,480 including common area maintenance charges. The lease expires in March 2026.

The Institute leases an apartment facility under a lease agreement. The lease calls for monthly payments of \$2,430. The lease renews in May 2020 with a monthly payment of \$2,230 and expires in May 2021.

Rent expense for the years ended May 31, 2020 and 2019 totaled \$154,974 and \$154,230, respectively.

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

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. Allocation of the transaction price to the performance obligation in the contract; and
5. Recognition of revenue when, or as, the Institute satisfies a performance obligation.
6. All recognized contract assets for which the student has an unconditional obligation to pay are included in the accompanying balance sheet as student accounts receivable. Net student accounts receivable from the School's contracts with students were \$69,774 and \$162,806 as of May 31, 2020 and 2019, respectively.

The Institute's revenues are primarily comprised of tuition and fees. The fee revenues, which consist of fees, books, and other educational services, are not significant to the Institute's overall financial results but have a direct correlation to tuition revenues.

Student tuition is billed at the beginning of each payment period (semester). The Institute has various billing and academic cycles. Payments from the students are due on the first day of the semester. Other fees are transactional and are billed to the student at the time of service. This revenue is recognized wholly when, or as, control of the product is transferred to the student.

Total revenues are presented net of scholarships and discounts.

Amounts remitted by students or on behalf of students in excess of tuition are recorded as prepaid tuition which may be refunded or utilized by the student to pay future tuition. Unearned tuition at May 31, 2020 and 2019 was \$287,258 and \$317,604, respectively.

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

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:

	Amount Disbursed	Adjusted Amount
Adjusted Student Title IV Revenue		
Federal Pell Grant and FSEOG Grant	197,862	\$ 197,862
Subsidized Direct Loan, Unsubsidized Direct Loan and PLUS Loan	859,723	859,723
Total Student Title IV Revenue	1,057,585	\$ 1,057,585
 Revenue Adjustment		
Refunds to students and Title IV refunds for students		(54,919)
Adjusted Student Title IV Revenue		1,002,666
 Student Non-Title IV Revenue		
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	-	
Total Student Non-Title IV Revenue	579,096	
 Revenues from Other Sources		
Activities conducted by the Institute that are necessary for education and training-Clinic Income	-	
Revenues from Other Sources	-	
 Total Non-Title IV Revenue		579,096
 Total Cash-Basis Revenue		\$ 1,581,762
Student Title IV Revenue	1,002,666	= 63.39%
Student Title IV Revenue + Student Non-Title IV Revenue	1,581,762	

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

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 programs are also required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs. As of May 31, 2020 and 2019, and for the years then ended, the Institute's composite score was 2.69 and 1.6, respectively.

NOTE H– 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 \$3,103 and \$1,841 for the year ended May 31, 2020 and 2019, respectively.

NOTE I– GRANT INCOME

During April 2020, the Institute obtained a Paycheck Protection Program (PPP) loan in the amount of \$101,355 from the U.S. Small Business Administration. The Institute obtained full loan forgiveness in December 2020. Accordingly, the PPP amount is recognized as income in the current year financial statements.

NOTE J — SUBSEQUENT EVENT

The Institute's operations have been affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which in March 2020, was declared a pandemic by the World Health Organization. The ultimate disruption which may be caused by the outbreak is uncertain; however it may result in a material adverse impact on the Institute's financial position, operations and cash flows. Possible areas that may be affected include, but are not limited to, disruption to the Institute's students and revenue, labor workforce, availability of products and supplies or services used in operations, and the decline in value of assets held by the Institute, including but not limited to, investments and property and equipment.

In June, 2020 the Institute received Higher Education Emergency Relief Funds for the students in the amount of \$39,023 and for the institution in the amount of \$39,022. Funds were disbursed to the students by September 2020 and utilized by the institution by October 2020.

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

NOTE J — SUBSEQUENT EVENT (CONTINUED)

In July 2020, an Economic Injury Disaster Loan (EIDL) was received for \$140,600. Payments will be deferred until July 2021. The loan carries an interest rate of 3.75% with a maturity date of June 30, 2051.

Management has evaluated and determined there are no other subsequent events, except as disclosed above, as of the date of the independent auditors' report.

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
TOTAL OPERATING EXPENSES	\$ 1,104,207	65.13 %	\$ 984,875	55.55 %

See accompanying notes to the financial statements

FINE MORTUARY COLLEGE, LLC

SCHEDULE II - FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

BALANCE SHEET May 31 2020	STATEMENT OF INCOME FOR THE YEAR ENDED May 31, 2020
<p>Current Assets</p> <p>1 Cash \$ 565,465</p> <p>2 Accounts receivable, net 69,774</p> <p>3 Prepaid expenses 24,984</p> <p>4 Inventories 46,655</p> <p>5 Total Current Assets 706,878</p> <p>6 Property, equipment and improvements, net 19,341</p> <p>7 Intangibles, net of accumulated amortization 49,524</p> <p>8 Due from related parties, unsecured 604,775</p> <p>9 Security deposits 13,173</p> <p>10 Total Assets <u>\$ 1,393,691</u></p> <p>Current Liabilities</p> <p>11 Accounts payable/Accrued liabilities \$ 72,427</p> <p>12 Unearned tuition revenue 287,258</p> <p>13 Current portion of notes payable 91,345</p> <p>14 Total Current Liabilities 451,030</p> <p>15 Member advances 15,308</p> <p>16 Total Liabilities 466,338</p> <p>17 Members' equity 927,353</p> <p>18 Total Liabilities and Members' Equity <u>\$ 1,393,691</u></p>	<p>Revenue</p> <p>31 Total Revenue \$ 1,695,111</p> <p>32 Cost of Revenues 184,297</p> <p>33 Operating expenses 1,104,207</p> <p>34 Net income from operations 406,607</p> <p>Other income (expenses)</p> <p>35 Interest income 1,041</p> <p>36 Grant income 101,355</p> <p>37 Other income 370</p> <p>38 Total Other Income 102,766</p> <p>39 Income Before Income Taxes 509,373</p> <p>40 Income taxes - provision -</p> <p>41 Net Income <u>\$ 509,373</u></p>

Lines

Composite Score Calculation

Primary Reserve Ratio = Adjusted Equity	17-7-8-6	253,713	0.20
/ Total Expenses and Losses	32+33	1,288,504	

Equity Ratio = Modified Equity	17-7-8	273,054	0.37
/ Modified Assets	10-7-8	739,392	

Net Income Ratio = Income Before Taxes	39	509,373	0.28
/ Total Revenues and Gains	32+35+36+37	1,797,877	

Ratio	Ratio	Str. Factor	Weight	Score
Primary Reserve Ratio	0.20	3.0000	30%	0.90
Equity Ratio	0.37	2.2158	40%	0.89
Net Income Ratio	0.28	3.0000	30%	0.90
Total Composite Score				<u>2.69</u>

See independent auditors' report.

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

Line # and/or Footnote #	PRIMARY RESERVE RATIO		Amount	Amount
ADJUSTED EQUITY				
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.

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

Line # and/or Footnote #	PRIMARY RESERVE RATIO		Amount	Amount
ADJUSTED EQUITY (continued)				
n/a	Notes to Financial Statements- Balance Sheet-Lease right-of-use assets pre-implementation	Lease right-of-use asset pre-implementation		-
n/a	Notes to Financial Statements- Balance Sheet-Lease right-of-use assets post-implementation	Lease right-of-use asset post-implementation		-
n/a	Balance Sheet- Goodwill	Intangible Assets	49,524	(49,524)
n/a	Balance Sheet- Post employment and pension liabilities	Post employment and defined pension plan liabilities		-
	Balance Sheet- Note Payable and Line of Credit (both current and long term) and Line of Credit for Construction in Progress	Long-term debt for long-term purposes and Construction in Progress debt		
	Balance Sheet- Note Payable and Line of Credit (both current and long term) and Line of Credit for Construction in Progress - pre-implementation	Long-term debt for long-term purposes pre-implementation		-
n/a	Balance Sheet- Note Payable and Line of Credit (both current and long term) and Line of Credit for Construction in Progress - post-implementation	Long-term debt for long-term purposes post-implementation		-
n/a	Balance Sheet- Note Payable and Line of Credit (both current and long-term) for Purchase of Property, Plant and Equipment	Qualified Long-term debt for long-term purposes post- implementation for Purchase of Property, Plant and Equipment		
n/a	Balance Sheet- Note Payable and Line of Credit for Construction in Progress	Line of Credit for Construction in process		-
n/a	Balance Sheet- Lease right-of-use asset- liability (short-term and long-term)	Lease right-of-use asset liability		-
n/a	Balance Sheet- Lease right-of-use asset- liability pre-implementation - both current and long-term	Pre-implementation right-of- use lease liability		-
n/a	Balance Sheet- Lease right-of-use asset- liability post-implementation - both current and long-term	Post-implementation right-of- use lease liability		-

253,713

See independent auditor's report.

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

Line # and/or Footnote #	PRIMARY RESERVE RATIO			
		Amount	Amount	
	TOTAL EXPENSES AND LOSSES			
32, 33	Statement of Income- Total Operating Expenses, Interest Expense, Impairment Loss of Assets and Loss on Disposal of Assets	Total Expenses and Losses from Statement of Income		1,288,504

EQUITY RATIO

MODIFIED EQUITY

26	Balance Sheet-Total Equity	Total Equity		927,353
n/a	Balance Sheet-Lease right-of-use asset pre-implementation	Lease right-of-use asset pre-implementation		-
n/a	Balance Sheet-Lease right-of-use asset liability (short-term and long-term)	Lease right-of-use asset liability pre-implementation		-
n/a	Balance Sheet-Goodwill	Intangible assets	49,524	(49,524)
n/a	Balance Sheet-Related party receivable and related party note disclosure	Secured and unsecured related party receivable and/or other related party assets	604,775	-
n/a	Balance Sheet-Related party receivable and related party note disclosure	Unsecured related party receivable and/or other related party assets		(604,775)
				273,054

MODIFIED ASSETS

11	Balance Sheet-Total Assets	Total Assets		1,393,691
n/a	Notes to Financial Statements- Balance Sheet- Lease right-of-use asset pre-implementation	Lease right-of-use asset pre-implementation		-

See independent auditors' report.

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

Line # and/or Footnote #	EQUITY RATIO		Amount	Amount
MODIFIED ASSETS (continued)				
n/a	Balance Sheet- Goodwill	Intangible assets	49,524	(49,524)
n/a	Balance Sheet- Related party receivable and related party note disclosure	Secured and unsecured related party receivable and/or other related party assets	604,775	-
n/a	Balance Sheet- Related party receivable and related party note disclosure	Unsecured related party receivable and/or other related party assets		(604,775)
				739,392

NET INCOME RATIO				
39	Statement of Income- Net Income before Income Taxes	Net Income before Taxes		509,373
32+35+36+37	Statement of Income- Total Revenues, Interest Income and Other Miscellaneous Income including Gain on Sale of Fixed Assets	Total Revenues and Gains		1,797,877

See independent auditors' report.

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

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	19,341
B	Post-implementation Property, Plant and Equipment	-
C	Construction in Progress	-
D	Post-implementation Property, Plant and Equipment	-
	Total	19,341

Note for long-term debt for long-term purposes

A	Pre-implementation Long-Term Debt	-
B	Allowable Post-implementation Long-Term Debt	-
C	Construction in Progress-Debt	-
D	Long-Term Debt not for the purchase of Property, Plant and	-
	Total	-

- A This is the ending balance on the financial statement submission prior to the implementation of the regulations- less any depreciation or disposals
- B This is the balance of the assets purchased, after the implementation of the regulations, that was purchased by obtaining debt
- C Asset value of construction in progress
- D Post-implementation Property, Plant and Equipment with no outstanding debt

- A This is the ending balance on the last financial statement submission prior to the implementation of the regulations- less loan repayments
- B This is the lesser of actual outstanding debt of each asset or the value of the asset
- C All debt associated with Construction in Progress up to the asset value for Construction in Progress is included
- D Long-term debt NOT used for the purchase of Property, Plant and Equipment.

See independent auditors' report.



**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 and the results of that testing, and not to provide an opinion on the effectiveness of the Institute’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 Institute’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wilke & Associates, LLP
Pittsburgh Pennsylvania

May 19, 2021