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FINE MORTUARY COLLEGE, LLC
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members
Fine Mortuary College, LLC
dba Fine Mortuary College
150 Kerry Place
Norwood, MA 02062

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Fine Mortuary College, LLC, dba Fine Mortuary College, (hereinafter referred to as “Institution” or “Fine Mortuary College”) which comprise the balance sheets as of May 31, 2022 and 2021, and the related statements of income, members’ equity, and cash flow for the year then ended, and the related notes to the financial statement.

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.

AUDITOR'S 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 the 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 as of May 31, 2022 and 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Note 15 on the Institution's calculation of its Title IV 90/10 revenue test and Note 14 on related party transactions 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 basic financial statements. The accompanying Note 16 on the Institution's composite score is presented for purposes of additional analysis and are not a required part of the basic 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 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 REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2022, on our consideration of Fine Mortuary College'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 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 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 Fine Mortuary College's internal control over financial reporting and compliance.



David A Levy CPA PC
Needham, Massachusetts
November 18, 2022

FINE MORTUARY COLLEGE
BALANCE SHEETS
AS OF MAY 31, 2022 AND 2021

Assets	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and Cash Equivalents	\$ 705,237	\$ 851,957
Accounts Receivable - Students	100,358	67,215
Inventory	57,823	57,772
Prepaid Expenses	<u>63,683</u>	<u>17,544</u>
Total Current Assets	\$ 927,101	\$ 994,488
Fixed Assets, Net	38,225	13,258
Other Assets		
Security Deposits	13,888	13,888
Due from Related Parties - Unsecured	281,774	644,693
Organization Cost, Net	<u>38,220</u>	<u>43,872</u>
Total Other Assets	333,882	702,453
Total Assets	<u>\$ 1,299,208</u>	<u>\$ 1,710,199</u>
Liabilities & Stockholder's Equity		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 99,562	\$ 72,440
Current Portion of Notes Payable	2,676	-
Deferred Tuition	19,247	18,503
HEERF Unexpended	<u>10,319</u>	<u>-</u>
Total Current Liabilities	131,804	90,943
Long Term Liabilities		
Notes Payable, Net of Current Portion	<u>138,024</u>	<u>140,600</u>
Total Long Term Liabilities	138,024	140,600
Total Liabilities	<u>\$ 269,828</u>	<u>\$ 231,543</u>
Stockholder's Equity		
Members' Equity	<u>1,029,380</u>	<u>1,478,656</u>
Total Stockholder's Equity	1,029,380	1,478,656
Total Liabilities & Stockholder's Equity	<u>\$ 1,299,208</u>	<u>\$ 1,710,199</u>

The accompanying notes are an integral part of these financial statements.

FINE MORTUARY COLLEGE
STATEMENTS OF INCOME
FOR THE YEAR ENDED MAY 31, 2022 AND 2021

Revenue	<u>2022</u>	<u>2021</u>
Earned Tuition	\$ 1,848,254	\$ 1,936,725
Other Income	9,965	8,910
Total Revenue	<u>1,858,219</u>	<u>1,945,635</u>
 Expenses		
Administrative	355,546	349,616
Payroll and Payroll Taxes	740,341	610,312
Occupancy	199,708	187,974
Operating	136,360	21,352
Depreciation and Amortization	13,860	11,735
Total Operating Expenses	<u>1,445,815</u>	<u>1,180,989</u>
Net Income from Operations	<u>412,404</u>	<u>764,646</u>
Net Income for the Period	<u>\$ 412,404</u>	<u>\$ 764,646</u>

The accompanying notes are an integral part of these financial statements.

**FINE MORTUARY COLLEGE
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEAR ENDED MAY 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Stockholder's Equity Beginning of Year	\$ 1,478,656	\$ 927,353
Net Income for the Period	412,404	764,646
Contribution/(Distributions)	(861,680)	(213,343)
Stockholder's Equity End of Year	\$ <u>1,029,380</u>	\$ <u>1,478,656</u>

The accompanying notes are an integral part of these financial statements.

FINE MORTUARY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2022 AND 2021

<u>Cash Flows from Operating Activities</u>	<u>2022</u>	<u>2021</u>
Net Income	\$ 412,404	\$ 764,646
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and Amortization	13,860	11,735
Changes in Operating Assets and Liabilities		
Accounts Receivable - Students	(33,143)	2,559
Inventory	(51)	(11,117)
Prepaid Expenses	(46,139)	7,440
Security Deposits	-	(715)
Accounts Payable and Accrued Expenses	27,122	13
Deferred Tuition	744	(268,755)
HEERF Unexpended	10,319	-
Cash Provided by Operating Activities	<u>385,116</u>	<u>505,806</u>
 <u>Cash Flows from Investing Activities</u>		
Disposal / (Acquisition) of Fixed Assets	<u>(33,175)</u>	<u>-</u>
Cash Provided / (Used) by Investing Activities	<u>(33,175)</u>	<u>-</u>
 <u>Cash Flows from Financing Activities</u>		
Proceeds from Notes Payable	100	33,947
Repayment of Related Parties Unsecured Notes	362,919	(39,918)
Stockholder's Distribution	(861,680)	(213,343)
Cash Used by Financing Activities	(498,661)	(219,314)
Change in Cash and Cash Equivalents	<u>(146,720)</u>	<u>286,492</u>
Beginning Cash Balance	851,957	565,465
Ending Cash Balance	<u>\$ 705,237</u>	<u>\$ 851,957</u>

The accompanying notes are an integral part of these financial statements.

NOTE 1: NATURE OF BUSINESS & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Formation

Fine Mortuary College, LLC dba Fine Mortuary College (the Institution) was established on May 9, 1996 in the commonwealth of Massachusetts as an educational training institution.

Principal Activity

The principal activity of Fine Mortuary College is to educate and train students in Funeral Service Profession.

Educational Programs

The Institution is licensed to offer the following programs:

- Funeral Direction/Service (70-credit hours program)

Licenses and Accreditation

The Institution is licensed by Massachusetts Board of Higher Education, is accredited by the American Board of Funeral Service Education (ABFSE), and is approved by the United States Department of Education for participation in Federal Title IV Student Financial Assistance Programs for the funeral direction/service program. The Institution's accreditation status was "Accreditation approved" on October 25, 2019 for seven years

A) Basis of Accounting

The Financial Statements are prepared on the accrual basis of accounting in accordance with the U.S. generally accepted accounting principles (GAAP).

B) Revenue and Cost Recognition

The Institution bills tuition throughout the period of enrollment and recognizes the revenue on a pro rata basis over the period of instruction. As of the end of the fiscal year, the Institution had tuition from academic periods where the associated revenue has not yet been earned in accordance with GAAP. Accordingly, these amounts have been recorded as unearned tuition in the accompanying balance sheets. If a student withdraws from the Institution, the standards of the U.S. Department of Education, the state education authority, the accrediting commission that accredit the Institution and the Institution's own internal policies (collectively, "Refund Policies") limit a student's obligation for tuition and fees to the school depending on when the student withdraws during the period of enrollment. The greater the portion of the enrollment period that has elapsed at the time the student withdraws, the greater the student's obligation to the school. The Institution records revenue after applying all applicable refund policies.

C) Cash and Cash Equivalents

For purposes of reporting cash flows, cash equivalents include highly liquid assets with an original maturity of three months or less. Highly liquid assets include cash, federal funds and certificates of deposit. As of May 31, 2022 and 2021, the Institution did not have balances in excess of the \$250,000 FDIC insured limit.

NOTE 1: NATURE OF BUSINESS & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D) Inventory

Inventory consists of goods purchased primarily for resale to the students and clientele. It is stated at the lower of cost or market.

E) Property and Equipment

Property and Equipment are stated at cost, net of accumulated depreciation. The cost of property and equipment is depreciated over the estimated useful lives of the related assets.

F) Advertising Costs

Advertising costs, except for direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are to be received. There were no direct-response advertising costs for the current fiscal year.

G) 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

H) Concentration of Economic Dependency

The Institution derives a significant portion of its revenue from student financial assistance originating from the U.S. Department of Education's Title IV Higher Education Act of 1965. For the students to receive financial assistance at the Institution, it must maintain eligibility requirements established by the U.S. Department of Education.

I) Uncertain Tax Positions

The company accounts for uncertain tax positions in accordance with FASB ASC 740.

J) Subsequent Events

The Institution evaluates subsequent events through November 18, 2022, the date of this report. No material subsequent events have occurred that require recognition or disclosure in these financial statements.

NOTE 1: NATURE OF BUSINESS & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K) Fair Value Measurement

The Institution reports its qualified assets and liabilities in accordance with the Fair Value Measurements and Disclosure Standards and accounting principles generally accepted in the United States. These standards define fair value; establish a framework for measuring fair value, and expand disclosures about fair value measurements. This policy establishes a Fair Value framework that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value hierarchy and a description of the valuation techniques used for instruments measured at fair value are as follows:

- Level 1- Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date.
- Level 2- Pricing inputs other than quoted prices included in Level 1, which are either directly observable or that can be derived or supported from observable data as of the reporting date.
- Level 3- Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources. These inputs may be used with internally developed techniques that result in management's best estimate of fair value.

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The Institution's qualifying assets or liabilities are recorded at fair value using Level 1 inputs.

L) Reclassification

The presentation of certain prior year balances has been reclassified to conform to the current year presentation.

M) New Pronouncements & Adoption

On February 25, 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). The objective of this ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. This ASU codifies FASB Accounting Standards Codification (ASC) 842, Leases, and makes conforming amendments to other FASB ASC topics. Under the new provisions, all lessees will report a right-of-use asset and a liability for the obligation to make payments for all leases with the exception of those leases with a term of 12 months or less. ASU No. 2016-02, as amended by ASU No. 2020-05, is effective for nonpublic entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022.

On May 28, 2014, the FASB completed its Revenue Recognition project by issuing Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The entity applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019.

NOTE 2: ACCOUNTS RECEIVABLE, DEFERRED TUITION & ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts Receivable at the balance sheet date consist of amounts related to revenue from current or former students for classes that have been completed, or obligations of current students for tuition in progress for which payment has not been received in accordance with GAAP. If a student withdraws from the Institution, the standards of the U.S. Department of Education, the state education authority, the accrediting commission that accredit the Institution and the Institution's own internal policies (collectively, "Refund Policies") limit a student's obligation for tuition and fees to the school depending on when the student withdraws during the period of enrollment. The greater the portion of the enrollment period that has elapsed at the time the student withdraws, the greater the student's obligation to the school. The Institution records revenue after applying all applicable refund policies.

Allowance for Doubtful Accounts

The Institution maintains an allowance for doubtful accounts and has established a reserve based on the likelihood of collection. Bad debts are written off using an allowance account. As of May 31, 2022, the allowance for uncollectable accounts was \$5,300.

Accrual

As of May 31, 2022, the following table represents the remaining accrual method reported in accordance with GAAP.

	Accrual
Deferred Tuition	\$ 19,247
Accounts Receivable	\$ 105,658
Less: Allowance for Doubtful Accounts	(5,300)
Accounts Receivable, Net	<u>\$ 100,358</u>

NOTE 3: PREPAID EXPENSES

As of May 31, 2022 and 2021 there were prepaid expenses of \$63,683 and \$17,544, respectively, which comprises of prepaid insurance fees.

NOTE 4: INVENTORIES

The Institution's inventory consists of goods purchased primarily for resale to the students and clientele. It is stated at the lower of cost or market. As of May 31, 2022 and 2021, inventories were valued at \$57,823 and \$57,772, respectively.

FINE MORTUARY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 5: PROPERTY & EQUIPMENT

Property and equipment are recorded at cost. Depreciation and amortization of property and equipment, including assets recorded as capital leases, are provided on the straight-line and accelerated methods over their estimated useful lives. Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred.

The major classifications of property and equipment as of May 31, 2022 and 2021 consisted of the following:

	<u>Estimated Useful Life</u>	<u>2022</u>	<u>2021</u>
Software	15 Years	\$ 26,486	\$ -
Equipment & Furniture	5-7 Years	34,327	27,638
Leasehold Improvements	15 Years	13,663	13,663
Gross Property & Equipment		<u>74,476</u>	<u>41,301</u>
Less: Accumulated Depreciation & Amortization		<u>(36,251)</u>	<u>(28,043)</u>
Property & Equipment, Net		<u>38,225</u>	<u>13,258</u>
Depreciation & Amortization		\$ 13,860	\$ 11,735

Capitalization

Expenditures for maintenance and repairs are charged to expenses, whereas major betterments are capitalized. The Institution capitalizes property and equipment with useful life of greater than one year for costs in excess of \$2,000.

NOTE 6: DUE FROM RELATED PARTIES-UNSECURED

As of May 31, 2022 and 2021, the Institution had Notes Receivable-due from related parties, Vanede, LLC of \$281,774 and \$644,693, respectively, and were unsecured, and carry no stated repayment schedule.

NOTE 7: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts Payable and Accrued Expenses as of May 31, 2022 and 2021 were \$99,562 and \$72,440, respectively, and comprised of the following:

	<u>2022</u>	<u>2021</u>
Accounts Payable	\$ 52,796	\$ 38,395
Accrued Payroll	46,766	34,045
	<u>\$ 99,562</u>	<u>\$ 72,440</u>

FINE MORTUARY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 8: NOTE PAYABLE

As of May 31, 2022 and 2021, the Institution had an outstanding note payable as detailed below:

	2022			2021		
	Short Term	Long Term	Total	Short Term	Long Term	Total
30 Yr-\$140,600 SBA Loan obtained July 7, 2020, secured by all tangible & intangible personal property, interest rate 3.75%. The entire unpaid principal and interest will be payable and due upon maturity.	2,676	138,024	140,700	-	140,600	140,600
Total	\$ 2,676	\$ 138,024	\$ 140,700	\$ -	\$ 140,600	\$ 140,600

Future minimum debt obligations were detailed as below:

<u>Year Ended May 31,</u>	<u>Amount</u>
2023	\$ 2,676
2024	\$ 2,778
2025	\$ 2,884
2026	\$ 2,994
2027	\$ 3,108
2028 and thereafter	\$ 126,260
Total	<u>\$ 140,700</u>

NOTE 9: INCOME TAXES

As a limited liability Company, Fine Mortuary College is treated as a pass-through entity for income tax purposes. Accordingly, the taxable income or loss incurred by the Institution is reported on the tax returns of its members. Therefore, no provision for income taxes is made on the financial statement of the Institution

NOTE 10: REFUNDS AND REPAYMENTS TO THE U.S. DEPARTMENT OF EDUCATION

As of May 31, 2022 and 2021, there were no unpaid refunds to the Department of Education or to lenders who issued SFA loans. Accordingly, as of May 31, 2022 and 2021 there were no unpaid refunds as part of the current liabilities. The Institution processes and posts students' refunds within 45 days of the date a student withdraws or is terminated from the school. The Institution had no monetary obligations as a result of the most recent SFA audit.

FINE MORTUARY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 11: LEASE OBLIGATIONS

The Institution currently leases its premises from MBK Realty, an unrelated party, with monthly payments of \$10,480 including the common area maintenance charges. The lease expires in March 2026. The Institution also leases an apartment from Cottonwood, with monthly payments of \$2,475. This is a one-year lease expiring in May 2022.

Occupancy Expenses

Occupancy expenses for the years ended May 31, 2022 and 2021 were \$199,708 and \$187,974, respectively, as detailed below:

	<u>2022</u>	<u>2021</u>
Rent	\$ 156,573	\$ 155,824
Utilities	12,388	10,836
Repairs and Maintenance	30,314	20,840
Taxes	433	474
	<u>\$ 199,708</u>	<u>\$ 187,974</u>

Future Minimum Lease Payments

Future minimum lease payments as of May 31, 2022 and 2021 were as follows:

<u>Year Ended May 31,</u>	<u>Amount</u>
2023	\$ 125,835
2024	\$ 125,835
2025 and thereafter	<u>\$ 157,275</u>
Total	<u>\$ 408,945</u>

NOTE 12: RELATED PARTY TRANSACTIONS

The Institution participates in Federal programs authorized by Title IV of the Higher Education Act of 1965, as amended (HEA), which are administered by the U.S. Department of Education. The Institution must comply with the regulations promulgated under the HEA. Those regulations require that all related party transactions be disclosed, regardless of their materiality to the financial statements.

Members' Distributions

During the years ended May 31, 2022 and 2021, there were members' distributions of \$861,680 and \$213,343, respectively.

This information is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

NOTE 13: HIGHER EDUCATION EMERGENCY RELIEF FUND (HEERF FUNDS)

The Coronavirus Aid, Relief, and Economic Security Act or, CARES Act, was passed by Congress on March 27th, 2020. This bill allotted \$2.2 trillion to provide fast and direct economic aid to the American people negatively impacted by the COVID-19 pandemic. Of that money, approximately \$14 billion was given to the Office of Postsecondary Education as the Higher Education Emergency Relief Fund (HEERF). The Institution received a total of \$38,869 in HEERF funds. The student portion was required to be distributed by the Institution directly to students to reimburse them for COVID-19 related losses. The Institution distributed the student portion in the amount of \$28,550 among 54 students who were eligible for a FAFSA during the fiscal year ended May 31, 2022 and 2021. As of November 18, 2022, there was \$10,319 still unexpended.



David A Levy CPA PC

Certified Public Accountants

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND ON OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (NO MATERIAL WEAKNESSES IDENTIFIED, NO SIGNIFICANT DEFICIENCIES IDENTIFIED, NO REPORTABLE INSTANCES OF NONCOMPLIANCE OR OTHER MATTERS IDENTIFIED)

INDEPENDENT AUDITOR'S REPORT

To the Members
Fine Mortuary College, LLC
Dba Fine Mortuary College
150 Kerry Place
Norwood, MA 02062

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, which comprise the balance sheets as of May 31, 2022 and 2021, and the related statements of income, members' equity and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2022.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Fine Mortuary College'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fine Mortuary College's internal control. Accordingly, we do not express an opinion on the effectiveness of Fine Mortuary College's internal control.

A deficiency in internal control over financial reporting 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 Fine Mortuary College'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 over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose as noted above 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 any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Fine Mortuary College'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 Institutions 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 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. This communication is intended solely for the information and use of the U.S. Department of Education and the management of Fine Mortuary College and is not intended to be and should not be used by anyone other than these specified parties.



David A Levy CPA PC
Needham, Massachusetts
November 18, 2022

SUPPLEMENTARY INFORMATION

**FINE MORTUARY COLLEGE
SUPPLEMENTARY INFORMATION
MAY 31, 2022 AND 2021**

A. 90/10 REVENUE TEST

Fine Mortuary College derives a substantial portion of its revenues from financial aid received by its students under programs authorized by Title IV of the HEA, which are administered by the U.S. Department of Education. To continue to participate in the programs, Fine Mortuary College must comply with the regulations promulgated under the HEA. The regulations restrict the proportion of cash receipts for tuition, fees, and other institutional charges from eligible programs to not be more than 90 percent from Title IV programs. The failure of Fine Mortuary College to meet the 90 percent limitation for two consecutive years will result in the loss of the Institution's ability to participate in Title IV programs. If a school receives more than 90 percent of its revenue from Title IV programs during its fiscal year, the school becomes provisionally certified for the next two fiscal years.

Prior Year

For the fiscal year ended May 31, 2021, the Institution received \$903,118 of Title IV funds, total eligible cash receipts of \$1,721,761, resulting in a percentage of 52.45%.

Current Year

For the fiscal year ended May 31, 2022, the Institution received \$1,061,391 of Title IV funds, total eligible cash receipts of \$1,851,658, resulting in a percentage of 57.32%.

90-10 ANALYSIS: REVENUE BY SOURCE- CASH BASIS	
<u>ADJUSTED STUDENT TITLE IV REVENUE</u>	
Subsidized Loan	\$ 482,043
Unsubsidized loan	451,379
Pell	277,898
Seog (less match)	10,864
Total Draws (G5)	1,222,184
Title IV funds Refunded/Returned	(26,302)
Total Student Title IV Revenue (Net draws -G5)	1,195,882
Revenue Adjustment	(134,491)
<u>TOTAL ADJUSTED STUDENT TITLE IV REVENUE</u>	<u>1,061,391</u>
<u>STUDENT NON TITLE IV REVENUE</u>	
Institutional Scholarship	2,000
Student Payments	788,267
<u>TOTAL STUDENT NON-TITLE IV REVENUES</u>	<u>790,267</u>
<u>REVENUES FROM OTHER SOURCES</u>	
Clinic / Training Activities	-
Non- Title IV programs tuition	-
NPV of Institutional loans	-
<u>TOTAL REVENUES FROM OTHER SOURCES</u>	<u>-</u>
Total Adj. Student Title IV Revenue	\$ 1,061,391
Total Adj. Student Title IV Revenue	\$ 1,061,391
Student Non IV Revenue	790,267
Other Source Revenue	-
	<u>\$ 1,851,658</u>
90/10 Ratio	<u>57.32%</u>

This information is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

B. PROFITABILITY, ACID TEST RATIO, TANGIBLE NET WORTH

Profitability

The Institution's profitability for the current and previous audit year were as follows:

Description	2022	2021
Gross Income	\$ 1,858,219	1,945,635
Total Expenses (excluding Taxes)	(1,445,815)	(1,180,989)
Profit before Tax	412,404	764,646
Tax Expenses	-	-
Net Profit After Taxes	<u>\$ 412,404</u>	<u>764,646</u>

Acid Test Ratio

For the current and previous audit years, the Institution's acid test ratio was as detailed below:

Description	2022	2021
Current Assets	\$ 927,101	994,488
Current Liabilities	<u>131,804</u>	<u>90,943</u>
Acid Test Ratio	<u>7.03:1</u>	<u>10.94:1</u>

Tangible Net worth

The tangible net worth of the Institution as of the current and previous audit year was as detailed below:

Description	2022	2021
Total Assets	\$ 1,299,208	1,710,199
Less: Total Liabilities	<u>(269,828)</u>	<u>(231,543)</u>
Equity	1,029,380	1,478,656
Less: Unsecured Related Party Receivables	-	-
Less: Intangible Assets	<u>(319,994)</u>	<u>(688,565)</u>
Tangible Net Worth \$	<u>709,386</u>	<u>790,091</u>

This information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

C. COHORT DEFAULT RATE

According to the USDOE, an Institution is not considered to be administratively capable, if its cohort default rate for Federal Stafford/SLD Loan or for Direct Loans made to students for attendance at the school equals or exceeds 30% for the three most recent financial years, or if the most recent cohort default rate is greater than 40%. The Institution must continue to have a default management plan in effect if it equals or exceeds these thresholds. The USDOE will defer any sanctions until there are three sets of official three-year rates published. Currently, the three-year Cohort Default Rate published online by the USDOE for this institution was 13.4% (FY2018).

This information is presented for purposes of additional analysis and is not a required part of the basic financial statements

D. FINANCIAL RESPONSIBILITY COMPOSITE SCORE

The U.S. Department of Education determines an Institution to be financially responsible if the Institution has a composite score of at least 1.5, the Institution has sufficient cash reserves to make the required refunds, including the return of Title IV funds (these requirements are known as the *refund reserve standards*), the Institution is current in its debt payments, and the Institution is meeting all of its financial obligations, including making required refunds, including the return of Title IV funds and making repayments to cover FSA program debts and liabilities. For an Institution to participate in any Title IV, HEA program, the Institution must be financially responsible (34 C.F.R. § 668.171(a)). An Institution that is not financially responsible because its composite score is between 1.0 and 1.4 but meets all other standards of financial responsibility may participate in the Title IV programs under the Zone Alternative, as described in 34 C.F.R. § 668.175(d).

Composite score

The composite score standard combines different measures of fundamental elements of financial responsibility to yield a single measure of a school’s overall financial responsibility. This score, which has not been calculated by the U.S. Department of Education, is currently 3.0 in the fiscal year ended May 31, 2022 as detailed below:

Type	Ratio	Weight	Weighted Ratio
Primary Reserve	3.0000	30%	0.9000
Equity	3.0000	40%	1.2000
Net Income	3.0000	30%	0.9000
Composite Score			<u>3.0</u>

This ratio was 3.0 for the year ended May 31, 2021. This information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

FINE MORTUARY COLLEGE
SUPPLEMENTARY INFORMATION
MAY 31, 2022 AND 2021

Lines		Primary Reserve Ratio:		
		Adjusted Equity		
31	Balance Sheet - Total Equity	Total equity		1,029,380
4, 5, 10	Balance Sheet - All Related party receivable from affiliate, net and Related party note	Secure and Unsecured related party receivables and/or other related party assets	-	
4, 10	Balance Sheet - Related party receivable, net and Receivable from affiliate, net and Related party note	Unsecured related party receivables and/or other related party assets		-
8	Balance Sheet - Property, Plant and Equipment, net - pre-implementation	Property, plant and equipment, net - pre-implementation less any construction in progress	38,225	
FS Note line 8A	Note of the Financial Statements Balance Sheet Property, Plant and Equipment, net - pre-implementation	Property, plant and equipment, net - pre-implementation less any construction in progress		8,154
FS Note line 8B	Note of the Financial Statements - Balance Sheet - Property, Plant and Equipment, net - post-implementation with outstanding debt for original purchase	Property, plant and equipment, net - post-implementation less any construction in progress with outstanding debt for original purchase with debt		-
FS Note line 8D	Note of the Financial Statements Balance Sheet - Property, Plant and Equipment, net - post-implementation without outstanding debt for original purchase	Property, plant and equipment, net - post-implementation less any construction in progress without outstanding debt for original purchase with debt		30,071
FS Note line 8C	Note of the Financial Statements Balance Sheet - Property, Plant and Equipment - Construction in process	Construction in progress		-
9	Balance Sheet - Lease right-of-use-asset	Lease right-of-use-asset	-	
Excluded 9 Note Leases	Note of Financial Statements - Balance Sheet - Lease right-of-use asset pre-implementation	Lease right-of-use asset - pre-implementation		-
M9 Note Leases	Note of Financial Statements - Balance Sheet - Lease right-of-use asset pre-implementation	Lease right-of-use asset - post-implementation		-
11	Balance Sheet - Goodwill	Intangible Assets		319,994
27	Balance Sheet - Post-employment and pension liability	Post-employment and defined pension plan liabilities		-
15, 19, 20, 23, 24	Balance Sheet - Notes payable and Line of Credit(both current and long-term) and Line of Credit for Construction in process	Long-term debt - for long-term purposes and Construction in process debt	140,700	
M15, 19, 20, 23, 24, Note Debt A.	Balance Sheet - Notes payable and Line of Credit (both current and long-term) and Line of Credit for Construction in process	Long-term debt for long-term purposes pre-implementation		-
Debt Note B	Balance Sheet - Notes 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		-
Debt Note C	Balance Sheet - Notes payable and Line of Credit for Construction in process	Line of Credit for Construction in process		-
17, 25	Balance Sheet - Lease right-of-use assets liability (both current and long-term)	Lease right-of-use asset liability	-	
Excluded 17, 25 Leases	Balance Sheet - Lease right-of-use assets liability (both current and long-term)	Pre-implementation right-of-use		-
M17, 25 FS Note	Balance Sheet - Lease right-of-use assets liability (both current and long-term)	Post-implementation right-of-use		-
40, 42, 44, 45	Statement of (Loss) Income - Total Operating Expenses, Interest Expense, Loss on Impairment of Assets and Loss on Disposal of Assets	Total Expenses and Losses:		1,445,815

**FINE MORTUARY COLLEGE
SUPPLEMENTARY INFORMATION
MAY 31, 2022 AND 2021**

Equity Ratio:

	<u>Modified Equity:</u>		
Balance Sheet - Total Equity	Total Equity		1,029,380
Balance Sheet - Lease right-of-use assets liability (both current and long-term)	Pre-implementation right-of-use leases		-
Note of Financial Statements - Balance Sheet - Lease right-of-use asset pre-implementation	Lease right-of-use asset - pre-implementation		-
Balance Sheet - Goodwill	Intangible Assets		319,994
Balance Sheet - All related party receivable from affiliate, net and Related party note	Secure and Unsecured related party receivables and/or other related party assets	-	
Balance Sheet - Related party receivable, net and Receivable from affiliate, net and Related party note	Unsecured related party receivables and/or other related party assets		-
	<u>Modified Assets:</u>		
Balance Sheet - Total Assets	Total Assets		1,299,208
Note of Financial Statements - Balance Sheet - Lease right-of-use asset pre-implementation	Lease right-of-use asset - pre-implementation		-
Balance Sheet - Goodwill	Intangible Assets		319,994
Balance Sheet - All Related party receivable from affiliate, net and Related party note	Secure and Unsecured related party receivables and/or other related party assets	-	
Balance Sheet - Related party receivable, net and Receivable from affiliate, net and Related party note	Unsecured related party receivables and/or other related party assets		-

Net Income Ratio:

Statement of (Loss) Income - Net Income Before Income Taxes	<u>Income Before Taxes</u>		412,404
Statement of (Loss) Income - Total Revenue, Interest income, and Other miscellaneous income	<u>Total Revenues and Gains</u>		1,858,219

FINE MORTUARY COLLEGE
SUPPLEMENTARY INFORMATION
MAY 31, 2022 AND 2021

Note for Line 8 - Net Property, Plant and Equipment

A.	Pre-Implementation Property, Plant and Equipment		8,154
B.	Post-Implementation Property, Plant and Equipment		-
	Equipment & Furniture	-	
	Leasehold Improvements	-	
	Vehicle	-	
C.	Construction in progress		-
D.	Post-Implementation Property, Plant and Equipment		30,071
	Total		38,225

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

Note for Line 9 - Lease right -of-use-assets

A.	Lease right-of-use assets - pre-implementation	-	Removed from Assets
B.	Lease right-of-use assets - post-implementation	-	
	Total	-	

Note for Line 15, 19, 20, 23 & 24 - Long-term debt for long term purposes

A.	Pre-Implementation Long-Term Debt		-
B.	Post-Implementation Long-Term Debt		-
	Equipment & Furniture	-	
	Leasehold Improvements	-	
	Vehicle	-	
C.	Construction in progress - Debt		-
D.	Long-term debt not for the purchase of Property, Plant and Equipment or liability greater than assets value		140,700
	Total		140,700

- A. This is the ending balance on the last financial statement submission prior to the implementation of the regulations -- Less in repayments
- B. This is the lessor of actual outstanding debt of each assets or the value of the asset.
- C. This is the debt associated with Construction in progress up to the asset value for construction in process included.
- D. Long-tem debt not for the purchase or Property, Plant and Equipment.

Note for Line 17 - Lease right -of-use-asset liability

A.	Lease right-of-use assets liability - pre-implementation	-	Removed from Liabilities
B.	Lease right-of-use assets liability - post-implementation	-	
	Total	-	

FINE MORTUARY COLLEGE
SUPPLEMENTARY INFORMATION
MAY 31, 2022 AND 2021

Balance Sheet		
Line		
Current Assets		
1	Cash and Cash Equivalents	705,237
2	Accounts Receivable, Net	100,358
3	Prepaid Expenses / Inventory / Investments	121,506
4	Related party receivable	-
5	Related party receivable, secured	-
6	Student loans receivable, net	-
7	Total Current Assets	927,101
8	PROPERTY & EQUIPMENT, NET	38,225
9	Lease right-of-use assets, net	-
10	Receivable from affiliate, net	-
11	Goodwill & Other Intangibles	319,994
12	Deposits	13,888
13	Total Assets	1,299,208
Current Liabilities		
14	Accounts Payable / Accrued Expenses	109,881
15	Line of credit - short term CIP	-
16	Deferred Revenue	19,247
17	Leases right-of-use asset liability	-
18	Line of credit - operating	2,676
19	Line of credit - for long term purposes	-
20	Note Payable	-
21	Total Current Liabilities	131,804
22	Line of credit - operating	138,024
23	Line of credit - for long term purposes	-
24	Notes Payable	-
25	Leases right-of-use asset liability	-
26	Other Liabilities	-
27	Post-employment and pension liability	-
28	Total Liabilities	269,828
Equity		
29	Common stock	-
30	Retained Earnings	1,029,380
31	Total Equity	1,029,380
32	Total Liabilities and Equity	1,299,208

Statement of (Loss) Income		
Line		
Revenue		
33	Tuition and fees, net	1,848,254
34	Clinic revenue	9,965
35	Total Revenue	1,858,219
Operating Expenses		
36	Education expense	876,701
37	General expense	355,546
38	Occupancy expense	199,708
39	Depreciation and Amortization	13,860
40	Total Operating Expenses	1,445,815
Operating Income (Loss)		
41	Other Income (Expense)	412,404
42	Interest expense	-
43	Interest income	-
44	Loss on impairment of assets	-
45	Loss on disposal of assets	-
46	Other miscellaneous income	-
47	Total Other Income (Expense)	-
48	Net Income Before Income Taxes	412,404
49	Income Taxes	-
50	Net Income (Loss)	412,404

Calculating the Composite Score	Lines	Ratio	Strength Factor	Weight	Composite Score		
*Primary Reserve Ratio = Adjusted Equity	31-11-(4+10)- (8+9)+27+15+17+19+20	671,161	0.4642	20	3.000	30%	0.9000
/ Total Expenses and Losses	+23+24+25 40+42+44+45	1,445,815					
*Equity Ratio = Modified Equity	31-(4+10)-11	709,386	0.7244	6	3.000	40%	1.2000
/Modified assets	13-(4+10)-11	979,214					
Net Income Ratio = Income Before Taxes	+48	412,404	0.2219	1	3.000	30%	0.9000
Total Revenue and Gains	35+43+46	1,858,219					
			33.3				3.0000
					Total Composite Score		3.0