Preparing for a funeral home valuation

A practical checklist for funeral home owners



A funeral home may be valued using several measures, including call volume, revenue and cash flow. These benchmarks can provide context, but a formal valuation considers the full business, including its financial performance, operating structure, assets and goodwill.

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Use this checklist to organize the information that buyers, lenders, appraisers and valuation professionals may review.

Understand the valuation process

- ☐ The operating business and real estate may be evaluated separately.
- ☐ A formal business valuation may differ from industry rules of thumb.
- ☐ Banks must order their own appraisals and valuations and typically cannot rely on reports prepared by or for another party.
- ☐ Business value, real estate value and the final sale price may differ.

Organize your financial information

- ☐ Three years of federal tax returns, including the most recent year.
- ☐ Interim financial statements no more than 90 days old.
- ☐ Revenue, call volume and service mix are organized and supported by business records.
- ☐ Debt, lease obligations and significant capital investments are documented.
- ☐ Business and personal expenses are clearly separated.

Identify owner-specific adjustments

- ☐ Owner compensation and benefits are clearly documented.
- ☐ Family members on payroll and their responsibilities are identified.
- ☐ One-time or non-recurring expenses are easy to explain.
- ☐ Rent paid to a related real estate entity is documented.

Document the value built in your community

- ☐ The funeral home's business history, reputation and community presence are clearly documented.
- ☐ The firm's market strengths, including its service capabilities, staff experience and competitive position, are clearly documented.

Clarify the business and real estate structure

- ☐ Each parcel of real estate used in the operation of the business is clearly documented.
- ☐ The transfer of each parcel is identified, including whether it will be sold or leased.

Questions to ask your advisors

- ☐ How will owner-specific expenses, nonrecurring items and related-party arrangements be treated in the advisor's valuation?
- ☐ How might the advisor's estimate of value differ from the independent valuation obtained by a buyer's lender?
- ☐ What steps could improve the funeral home's marketability?
- ☐ How could buyer demand and financing affect the marketability and terms?

PREPARATION PROVIDES CLARITY

Preparing for a valuation does not mean a sale is imminent. It can help you better understand the funeral home's financial performance, business structure, real estate and goodwill before a future ownership or financing discussion.

Have questions? Your Huntington Business Banker can help you explore funeral home financing and long-term planning considerations. Visit huntington.com/FuneralServicesBanking to learn more about our services.

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