



AUDIT ANALYTICS®

GOING CONCERNS

A TWENTY-YEAR REVIEW

MARCH 2021

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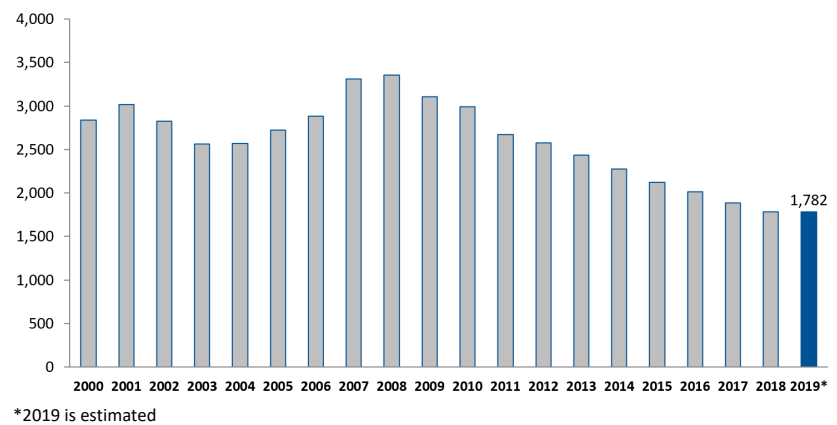
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INTRODUCTION

Audit Analytics reviewed the population of audit opinions filed with the Securities and Exchange Commission as of November 13, 2020, to determine the number of going concerns (opinions qualified by an uncertainty regarding the going concern assumption). As shown in *Figure 1*, this analysis found that going concerns peaked in fiscal year (FY) 2008 with a total of 3,358 going concern opinions. Thereafter, the number of going concerns decreased for eleven consecutive years to an estimated total of 1,782 for FY 2019. The estimated total of 1,782 going concerns is the lowest amount over the twenty-year period analyzed.

Audit Analytics arrived at the 2019 estimate by identifying the number of going concerns that were filed for year-end 2018 on or before November 13, 2019. It was determined that 94.62% of the total 2018 going concerns were filed by that day. As of November 13, 2020, there were 1,686 going concern opinions for year-end 2019. If this number represents 94.62% of the total for 2019, the ultimate number of going concerns will be 1,782. Therefore, the number of going concerns for FY 2019 is expected to be three less than the amount received for 2018. This decrease, however, is not due to improved company performance, but company attrition from the prior year's going concern population.

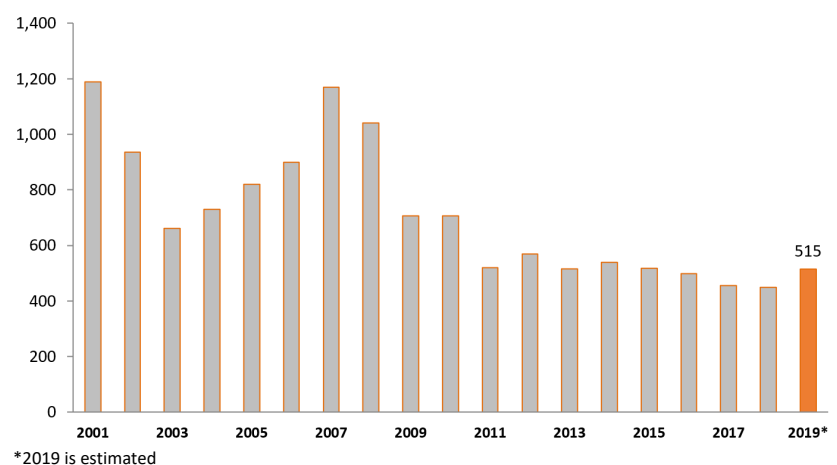
Figure 1.
Number of Going Concerns per Year
2019: Estimated



An analysis of the 1,785 companies that filed a going concern in 2018 found that 82 of these companies filed a termination of registration (or had it revoked) with the SEC during 2018 or 2019. Moreover, these terminations are only a subset of the 310 companies that left the population (went private, out of business, or dark) and did not file any audit opinion for 2019.

As shown in *Figure 2*, new going concerns (a going concern filed without one filed the year prior) most recently peaked in 2007 and decreased most years thereafter. As of November 13, 2020, the SEC received 462 new going concerns for FY 2019, with an estimated total amount of 515 new going concerns for 2019. Therefore, it appears that new going concerns will experience an increase for the first time since 2014, though the total of 515 represents the fourth lowest amount during the nineteen years reviewed. Moreover, it should be noted that 22.3% of the new going concerns as of November 13, 2020 were disclosed in S-1s or F-1s, and thus linked to recent initial public offerings (IPOs). A new going concern linked to a recent IPO should not necessarily be considered a negative event.

Figure 2.
Number of New Going Concerns per Year
2019: Estimated



In addition to new going concerns, Audit Analytics identified companies that filed a going concern one year but not the following year. A small number of these companies filed a subsequent clean audit opinion, but most of these companies did not file an audit opinion at all. For example, a total of 561 companies filed a going concern in 2018 but not in 2019. Of these companies, 148 filed a clean audit opinion in 2019, but 413 companies failed to file any audit opinion whatsoever. The 413 companies that failed to file a subsequent audit opinion in 2019 represents the third lowest number of “disappeared” companies since 2006.

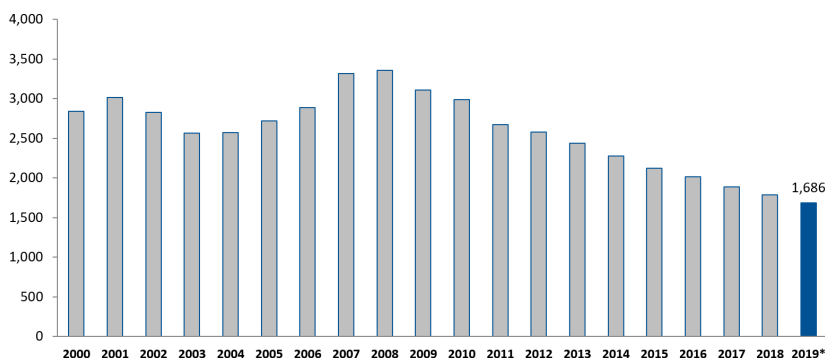
EXECUTIVE SUMMARY

1) Fiscal year 2008 experienced the highest number of going concerns over the twenty-year period.

Figure 3.

Number of Going Concerns per Year

2019: Partial Year



*2019 is a partial year

Since 2000, the largest number of going concerns occurred in 2008, with a total of 3,358 going concern opinions, followed by eleven consecutive years of decline to reach a total of 1,686 in 2019. (See Figure 3 and page 7: *Going Concern Totals per Year*.) Figure 3 provides a FY 2019 total as of November 13, 2020, representing an incomplete year. As of that date, many foreign filers and non-accelerated U.S. filers with a fiscal year end occurring at the end of December have not yet filed an annual report with the SEC.

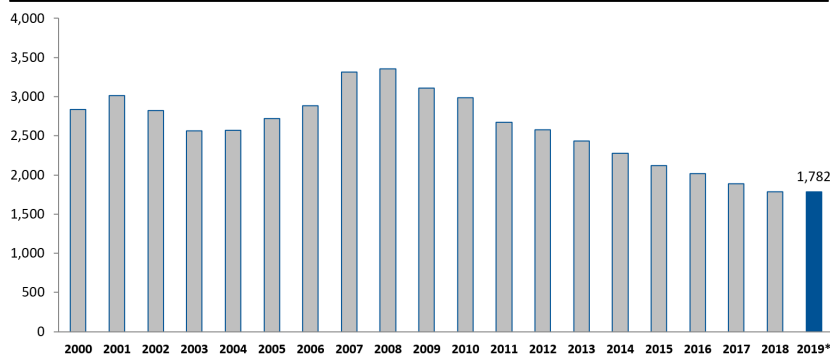
For comparison, a look at the prior year on the corresponding date shows that the SEC received 94.62% of all going concerns on or before that date.¹ (For an estimated figure for 2019, see Figure 4.)

2) The total number of going concerns in fiscal year 2019 is expected to be the lowest total over the twenty-year period, but the decrease is due to company attrition from the prior year's going concern population.

Figure 4.

Number of Going Concerns per Year

2019: Estimated



*2019 is estimated

Under the assumption that FY 2018 audit opinion numbers provide a predictive gauge for the remaining performance of 2019, it is expected that 2019 will receive a total of 1,782 going concerns. (See Figure 4 and page 11: *Going Concerns Twenty Year Review*.) For 2019, a total of 1,686 going concerns were filed on or before November 13, 2020.² During the same duration for 2018, a total of 1,689 going concerns were filed, while the entire year received 1,785. Therefore, for FY 2018, 94.62% of the total going concerns were filed on or before November 13, 2019.

If the same is true for 2019, the total number of going concern opinions for 2019 is expected to reach 1,782.³ This number is the lowest figure during the twenty years analyzed, but the drop is due to the disappearance of companies that filed a going concern during the year prior. An analysis of the 1,785 companies that filed a going concern for 2018 found that 82 of these companies filed a termination of registration with the SEC (or had it revoked) during calendar year 2018 or 2019. The drop from 1,785 to 1,782 represents a reduction of only three companies, much less than the 82 terminations. Moreover, these terminations represent a subset of the 2018 GC population that did not file an audit opinion for 2019 (went private, out of business, or dark), a total of 310 companies. (See Figure 8: $413 - 103 = 310$.)

1) By November 13, 2019, a total of 1,689 going concerns were filed for the 2018 year-end, compared to 1,785 for the entire year.

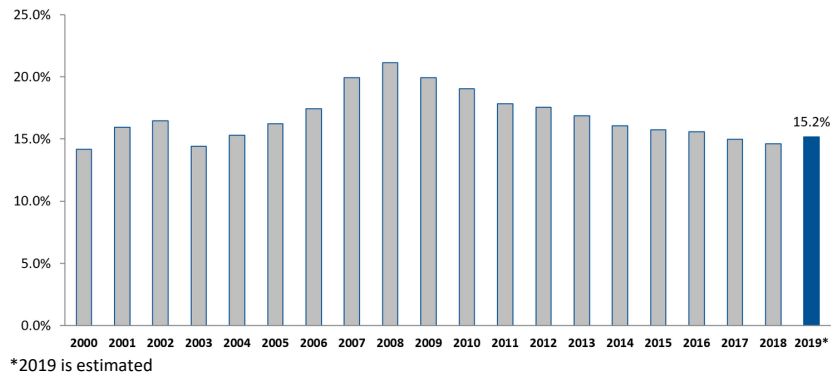
2) The 94.62% figure is based on the following ratio: $1,689 \div 1,785 = 0.9462$.

3) The total estimated number of going concerns expected for FYE 2019 is obtained as follows: $1,686 \div 0.9462 = 1,782$.

3) Although the total dropped slightly, the percentage of going concerns is expected to increase for fiscal year 2019.

For 2019, estimates indicate that 15.2% of audit opinions will express an uncertainty with respect to the auditor's going concern assumption. (See *Figure 5 and page 11: Going Concerns Twenty-Year Review.*) The total opinions received for 2019 on or before November 13, 2020, equaled 11,575. During the corresponding time in 2018, the SEC received 12,027 opinions out of a total of 12,220. Therefore, on or before November 13, 2019, FY 2018 received 98.42% of all the opinions filed for that year.⁴ Assuming that 98.42% continues to apply, 2019 will receive a total of 11,761 audit opinions.⁵

Figure 5.
Number of Going Concerns per Year
2019: Estimated

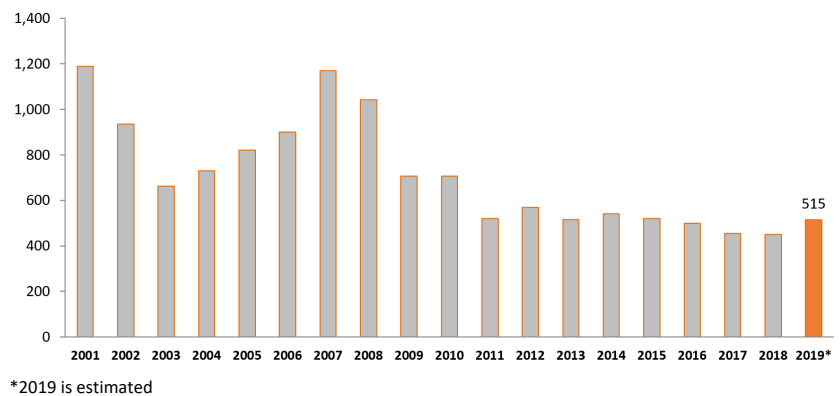


As noted in Section 2, 2019 is expected to have 1,782 going concerns, which would represent 15.2% of all opinions for the year end.⁶ This increase in percentage represents the first increase after ten consecutive decreases after the peak in 2008. Moreover, although an increase, the value of 15.2% is the third lowest since 2004. It should be noted, however that the low percentage, as explained in the previous section, is due to company attrition from the prior year's population of going concerns.

4) The estimated amount of new going concerns for 2019 predicts an increase to a value that represents the fourth lowest number during the nineteen years analyzed.

The three sections above discuss total going concern opinions. Going concern opinions can be divided into two categories: (1) companies that repeated a going concern from the prior year and (2) companies that filed a new going concern (no going concern disclosed for the prior year). A focus on new going concerns provides additional insight into audit opinion trends. As shown in *Figure 6*, the most recent substantial peak in new going concerns occurred in 2007 with 1,169. Thereafter, there were significant drops in 2008 and 2009, followed by a downward trend with minor upticks in 2012 and 2014. After the increase in 2014, the number of new

Figure 6.
Number of New Going Concerns per Year
2019: Estimated



going concerns dropped four consecutive years to a value of 450 followed by an estimated value of 515. (For calculation, see *page 12: New Going Concerns by Year.*) This estimated value of 515 for FY 2019 is an increase of 65, but nevertheless the fourth lowest number during the nineteen years analyzed and comparable to the five-year span of 2011 to 2015, inclusive. In addition, it should be noted that 22.3% (103 of 462) of the new going concerns as of November 13, 2020 were disclosed in S-1s or F-1s and thus linked to recent IPOs, not established companies. A new going concern linked to a recent IPO should not necessarily be viewed as a negative economic event.

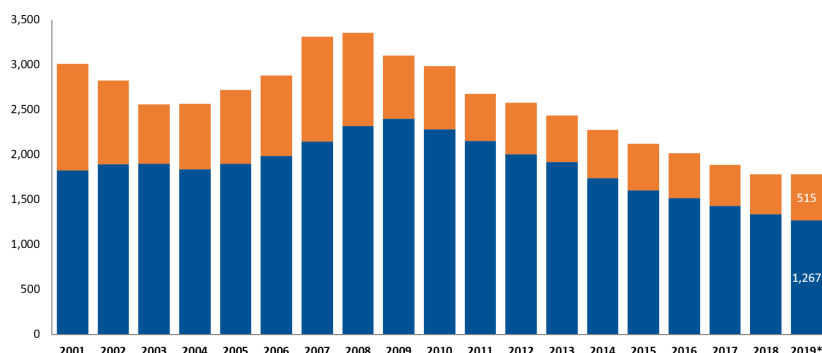
⁴ The 98.42% figure is based on the following ratio: $12,027 \div 12,220 = 0.9842$.

⁵ The total estimated number of opinions expected for year end 2019 is obtained as follows: $11,575 \div 0.9842 = 11,761$.

⁶ The 15.2% figure is based on the following ratio: $1,782 \div 11,761 = 0.1515$.

5) An analysis of repeated going concerns shows a steady ten-year decrease since the peak in 2009.

Figure 7.
Number of New and Repeated Going Concerns per Year
2019: Estimated

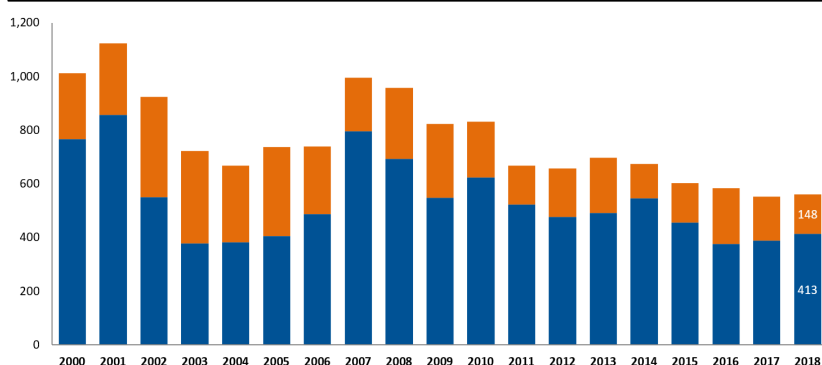


*2019 is estimated

In the previous section, *Figure 6* provides a history of new going concern totals with an estimated value for 2019. *Figure 7* displays a history of total going concerns, with an estimated value for 2019, by showing the total number of going concerns broken into two categories: (1) new going concerns and (2) repeated going concerns. Since the peak value of 2,399 in 2009, the number of repeated going concerns steadily decreased for ten consecutive years to an estimated value of 1,267 repeated going concerns in 2019.

6) An analysis of companies that filed a going concern one year but not the next year shows that the number of companies that disappeared (failed to file an opinion) in 2019 represents the third lowest number of such companies since the peak in 2007.

Figure 8.
Number of Going Concerns that Disappeared vs. Improved
(Companies that Filed a Going Concern for the Fiscal Year but Not the Following)



The previous section discussed repeated concerns. A different perspective of the population trend can be achieved by focusing on the opposite dynamic: companies that disappeared. As a result, Audit Analytics identified companies that filed one or more going concerns, but then did not do so the next year (the “last going concern”). After identifying companies that filed a last going concern, Audit Analytics determined whether the absence of a subsequent going concern was because the company filed a clean audit opinion or no opinion at all.

Figure 8 shows the number of companies that filed their last going concern and quantifies the subsequent activity: (1) filed a clean opinion (“improved”) or (2) failed to file an opinion (“disappeared”). Similar to new going concerns, the number of companies that disappeared most recently peaked in 2007. In FY 2007, a total of 996 companies filed a going concern without filing another in 2008. Of those companies, 200 filed a clean audit opinion in 2008, but 796 companies failed to file any audit opinion whatsoever. (See page 15: *Going Concern Attrition Analysis*.) The companies that filed a going concern in 2018 but not 2019 (disappeared after 2018) totaled 561 opinions, the second lowest total during the nineteen years displayed. Of those companies, 148 filed a clean audit opinion in 2019, but 413 disappeared.⁷ The 413 companies that failed to file a subsequent audit opinion in 2019 represents the third lowest number of “disappeared” companies since the peak in 2007.

⁷ These numbers were determined on November 13, 2020. Therefore, the 413 figure for 2018 is inflated because, as explained in Section 2 on page 2, more going concerns are expected that will decrease this figure. In the past, the number of “improved” companies increased, but only slightly.

7) A review of the going concerns for fiscal year 2019 revealed that the most common reason for apprehension regarding a company's ongoing viability is the company's operating losses.

While examining going concerns, analysts reviewed audit opinions for the issues that auditors indicate undermined the going concern assumption. The Audit Analytics database contains a taxonomy of 40 reasons commonly given by auditors for their apprehension and, during the reviews, the analysts select one or more reasons listed. A ranking of these issues for the 2019 year-end is provided on page 15 of this report and the top five issues are listed in *Figure 9*. A total of 1,129 companies disclosed going concern opinions noting operating losses. The second reason expressed by auditors was attributable to an insufficient amount of working capital.

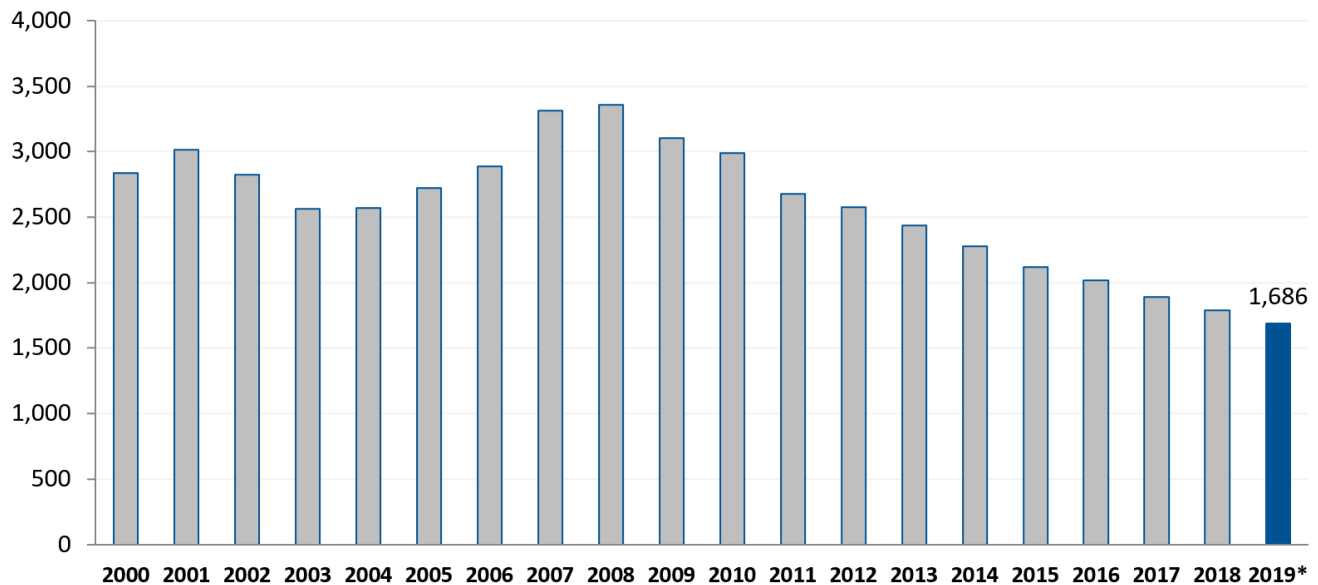
Figure 9.

Going Concern Issue Type	Total # of Companies
Net/Operating Loss (including recurring losses)	1,129
Working capital/current ratio deficit/inadequacy	452
Negative cash flow from operations	447
Accumulated/retained earnings deficit	452
Insufficient / limited cash, capital or liquidity concerns	248

Going Concern Totals per Year

2019: Partial Year

Number of Companies with an Audit Opinion having a Qualified Going Concern Assumption



*2019 is estimated

1. The research is based on SEC filings as of 11/13/2020.

2. The counts of Going Concerns listed above exclude non-tickered subsidiaries if the parent company also filed an auditor opinion with a going concern qualification; thus, this analysis excludes duplicate going concern opinions filed by non-tickered subsidiaries.

3. Data for Year 2019 is based on an incomplete year (SEC filings as of 11/13/2020). Some foreign filers and smaller U.S. companies with a fiscal year end occurring at the end of December have not yet filed an audit opinion. As of 11/13/20, the SEC received 1,686 going concerns for FY 2019. As a comparison, the table below shows how many audit opinions and going concerns the SEC received for FY 2018 by the end of and after the corresponding date of 11/13/2019. As the table indicates, the SEC received 94.62% of all going concerns on or before 11/13/2019.

Time Duration	2018 Filings			
	Opinions		Going Concerns	
	#	%	#	%
By End of 11/13/2019	12,027	98.42%	1,689	94.62%
After 11/13/2019	193	1.58%	96	5.38%
All	12,220	100.00%	1,785	100.00%

Going Concern Totals per Year

Breakdown by Year and Filer Status

Number of Companies with an Audit Opinion having a Qualified Going Concern Assumption

Fiscal Year	Large Accelerated Filers	Accelerated Filers	Remaining Companies		Total
			All	Smaller Reporting Companies (subset)	
2000	0	0	2,838	3	2,838
2001	0	0	3,014	6	3,014
2002	0	47	2,779	4	2,826
2003	0	40	2,522	11	2,562
2004	1	56	2,512	12	2,569
2005	2	63	2,656	15	2,721
2006	4	77	2,803	23	2,884
2007	7	85	3,221	357	3,313
2008	23	147	3,188	1,957	3,358
2009	7	68	3,031	2,365	3,106
2010	3	43	2,942	2,181	2,988
2011	7	54	2,614	2,039	2,675
2012	6	54	2,516	1,982	2,576
2013	6	37	2,392	1,874	2,435
2014	5	61	2,211	1,700	2,277
2015	13	71	2,037	1,590	2,121
2016	15	81	1,921	1,433	2,017
2017	6	70	1,812	1,275	1,888
2018	7	103	1,675	908	1,785
2019*	12	121	1,553	519	1,686

*2019 is a partial year

1. For download date and research approach, see Footnote 1 and 2 on page 7.
2. The accelerated filer status of a registrant is declared by the registrant in its most recent filing requesting the status.
3. The term "Large Accelerated Filer" means a registrant that had a public equity float of \$700 million or more as of the last business day of the most recently completed second fiscal quarter. (See Securities Exchange Act of 1934. Rule 12b-2, entitled "Definitions.")
4. The term "Accelerated Filer" means a registrant that had a public equity float of \$75 million or more but less than \$700 million, as of the last business day of the most recently completed second fiscal quarter. (See Securities Exchange Act of 1934. Rule 12b-2, entitled "Definitions.")
5. The category "Remaining Companies" includes the remaining population and comprises three subcategories (referred to as "All": (1) non-accelerated filers, (2) companies, such as funds & trusts, that are not required to give a designation (because they file form a 485BPOS, N-CSR, N-30D, etc.) and (3) companies that have or have not yet filed a form that requests an accelerated filer designation (filed only an S-1, SB-2, F-1, 10-12 or other registration).
6. The term "Smaller Reporting Company" means a registrant with a public equity float of less than \$75 million, or if the public equity float is not calculable, with annual revenues less than \$50 million in the previous year. (See SEC Release No. 33-8876, December 19, 2007.)
7. Data for Year 2019 is based on an incomplete year (SEC filings as of 11/13/2020). For comparison, in 2018, the SEC received 94.62% of all going concerns on or before 11/13/2019. For more information, see Footnote 3 on page 7.

Going Concerns as a Percentage of Total Opinions per Year

Breakdown by Year and Filer Status

Companies with an Audit Opinion having a Qualified Going Concern Assumption

Fiscal Year	Large Accelerated Filers			Accelerated Filers			Remaining Companies						Total		
							All			Smaller Reporting Company (subset)					
	Going Concerns	Total Opinions	Percentage	Going Concerns	Total Opinions	Percentage	Going Concerns	Total Opinions	Percentage	Going Concerns	Total Opinions	Percentage			
2003	0	1	0.00%	40	3,500	1.14%	2,522	14,264	17.68%	11	13	84.62%	2,562	17,765	14.42%
2004	1	6	16.67%	56	3,674	1.52%	2,512	13,118	19.15%	12	14	85.71%	2,569	16,798	15.29%
2005	2	1,328	0.15%	63	2,760	2.28%	2,656	12,695	20.92%	15	17	88.24%	2,721	16,783	16.21%
2006	4	1,986	0.20%	77	2,289	3.36%	2,803	12,263	22.86%	23	28	82.14%	2,884	16,538	17.44%
2007	7	2,042	0.34%	85	2,239	3.80%	3,221	12,338	26.11%	357	1,074	33.24%	3,313	16,619	19.94%
2008	23	1,958	1.17%	147	2,191	6.71%	3,188	11,743	27.15%	1,957	3,731	52.45%	3,358	15,892	21.13%
2009	7	1,729	0.40%	68	1,938	3.51%	3,031	11,919	25.43%	2,365	4,403	53.71%	3,106	15,586	19.93%
2010	3	1,755	0.17%	43	1,796	2.39%	2,942	12,123	24.27%	2,181	4,214	51.76%	2,988	15,674	19.06%
2011	7	1,925	0.36%	54	1,716	3.15%	2,614	11,372	22.99%	2,039	3,910	52.15%	2,675	15,013	17.82%
2012	6	1,936	0.31%	54	1,681	3.21%	2,516	11,053	22.76%	1,982	3,601	55.04%	2,576	14,670	17.56%
2013	6	2,072	0.29%	37	1,544	2.40%	2,392	10,832	22.08%	1,874	3,345	56.02%	2,435	14,448	16.85%
2014	5	2,264	0.22%	61	1,534	3.98%	2,211	10,385	21.29%	1,700	3,062	55.52%	2,277	14,183	16.05%
2015	13	2,298	0.57%	71	1,587	4.47%	2,037	9,578	21.27%	1,590	2,742	57.99%	2,121	13,463	15.75%
2016	15	2,178	0.69%	81	1,555	5.21%	1,921	9,206	20.87%	1,433	2,523	56.80%	2,017	12,939	15.59%
2017	6	2,256	0.27%	70	1,433	4.88%	1,812	8,936	20.28%	1,275	2,320	54.96%	1,888	12,625	14.95%
2018	7	2,321	0.30%	103	1,415	7.28%	1,675	8,484	19.74%	908	1,499	60.57%	1,785	12,220	14.61%
2019*	12	2,294	0.52%	121	1,424	8.50%	1,553	7,857	19.77%	519	855	60.70%	1,686	11,575	14.57%

1. For download date and research approach, see Footnote 1 and 2 on page 7.

2. For the definition of "Accelerated Filer" and other column titles in the above table, see Footnote 3, 4, 5, and 6 on page 8.

3. Data for Year 2019 is based on an incomplete year (SEC filings as of 11/13/2020). For comparison, in 2018, the SEC received 94.62% of all going concerns on or before 11/13/2019. For more information, see Footnote 3 on page 7.

Going Concerns as a Percentage of Total Opinions per Year

Breakdown by Year and Current Market Status

Companies with an Audit Opinion having a Qualified Going Concern Assumption

Fiscal Year	Total Going Concerns	NYSE		Nasdaq		NYSE MKT (formerly AMEX)		Other (OTCBB + Non-Tickered)	
		Going Concerns	%	Going Concerns	%	Going Concerns	%	Going Concerns	%
2007	3,313	4	0.12%	99	2.99%	28	0.85%	3,182	96.05%
2008	3,358	20	0.60%	130	3.87%	28	0.83%	3,180	94.70%
2009	3,106	14	0.45%	144	4.64%	18	0.58%	2,930	94.33%
2010	2,988	7	0.23%	132	4.42%	17	0.57%	2,832	94.78%
2011	2,675	9	0.34%	124	4.64%	16	0.60%	2,526	94.43%
2012	2,576	8	0.31%	164	6.37%	17	0.66%	2,387	92.66%
2013	2,435	8	0.33%	164	6.74%	12	0.49%	2,251	92.44%
2014	2,277	8	0.35%	156	6.85%	17	0.75%	2,096	92.05%
2015	2,121	15	0.71%	193	9.10%	30	1.41%	1,883	88.78%
2016	2,017	17	0.84%	236	11.70%	28	1.39%	1,736	86.07%
2017	1,888	13	0.69%	272	14.41%	25	1.32%	1,578	83.58%
2018	1,785	20	1.12%	317	17.76%	30	1.68%	1,418	79.44%
2019*	1,686	43	2.55%	382	22.66%	41	2.43%	1,220	72.36%

*2019 is a partial year

1. For download date and research approach, see Footnote 1 and 2 on page 7.

2. Data for Year 2019 is based on an incomplete year (SEC filings as of 11/13/2020). For comparison, in 2018, the SEC received 94.62% of all going concerns on or before 11/13/2019. For more information, see Footnote 3 on page 7.

3. The market designation is based on the company's status as of 11/19/2020.

Going Concerns Twenty-Year Review

Number of Going Concerns per Year

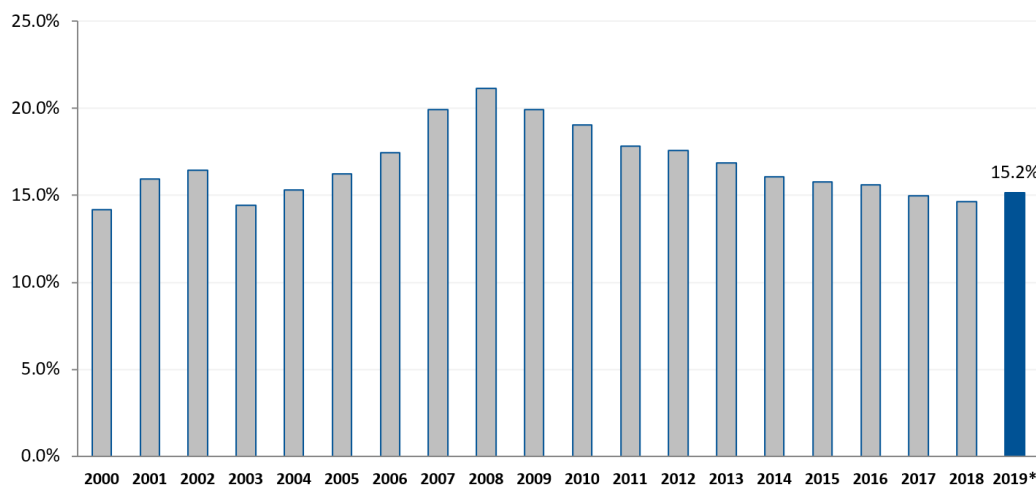
2019: Estimated



*2019 is estimated

Percentage of Going Concerns per Year

2019: Estimated



*2019 is estimated

Going Concern Twenty-Year Review

2019: Estimated

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019*
Going Concerns	2,838	3,014	2,826	2,562	2,569	2,721	2,884	3,313	3,358	3,106	2,988	2,675	2,576	2,435	2,277	2,121	2,017	1,888	1,785	1,782
Auditor Opinions	20,026	18,913	17,176	17,755	16,789	16,781	16,536	16,619	15,891	15,585	15,674	15,012	14,669	14,446	14,180	13,460	12,935	12,603	12,205	11,761
% of All Opinions	14.2%	15.9%	16.5%	14.4%	15.3%	16.2%	17.4%	19.9%	21.1%	19.9%	19.1%	17.8%	17.6%	16.9%	16.1%	15.8%	15.6%	15.0%	14.6%	15.2%

*2019 is estimated

1. For download date and research approach, see Footnote 1 and Footnote 2 on page 7.

2. Data for Year 2019 is based on an incomplete year (SEC filings as of 11/13/2020). For comparison, in 2018, the SEC received 94.62% of all going concerns on or before 11/13/2019. For more information, see Footnote 3 on page 7.

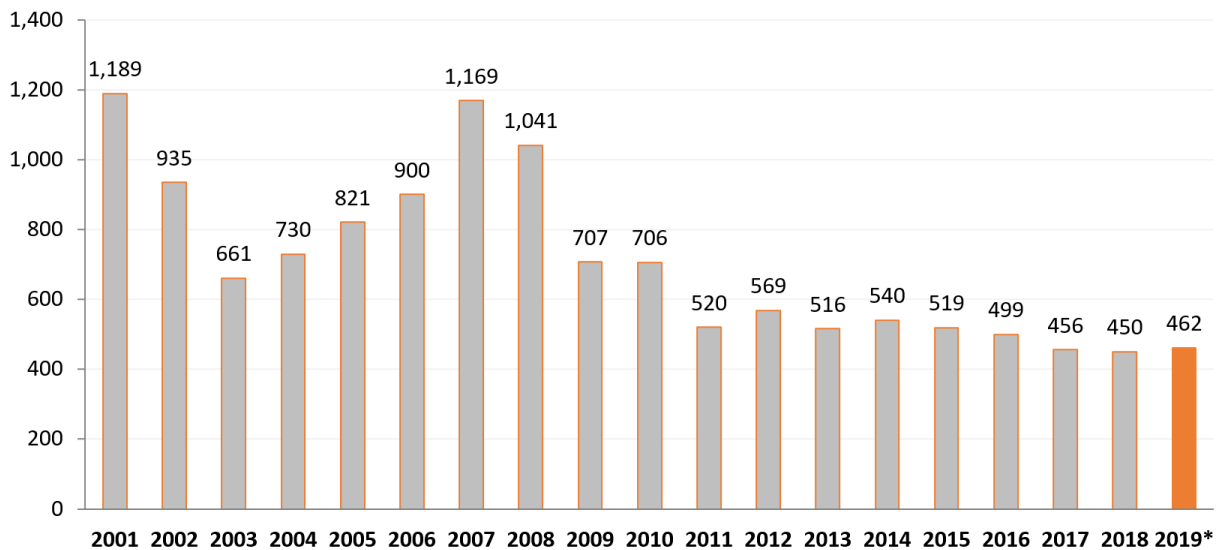
3. The total number of audit opinions to be filed in 2019 is estimated as follows: The total opinions received for 2019 on or before 11/13/2020 equaled 11,575 (see page 8). During corresponding time in 2018, the SEC received 12,027 out of a total of 12,220 (see table in Footnote 3 of page 7). Therefore, 2018 received 98.42% of all the opinions received for 2018 on or before 11/13/2019. $[12,027 \div 12,220 = 0.9842]$. Assuming that 98.42% continues to apply, the 2019 year end will receive a total 11,761 auditor opinions. $[11,575 \div 0.9842 = 11,761]$.

4. The total number of going concerns to be filed in 2019 is estimated as follows: For the 2019 year end, a total of 1,686 going concerns were filed on or before 11/13/2020. During the same duration in 2018, a total of 1,689 going concerns were filed, while the entire year received 1,785 (see Footnote 3 on page 7). Therefore, in 2018, 94.62% of the total going concerns were filed on or before 11/13/2019. $[1689 \div 1785 = 0.9462]$. If the same is true for 2019, the total number of going concerns in 2019 is expected to reach 1,782. $[1686 \div 0.9462 = 1,782]$.

New Going Concerns by Year

Number of New Going Concerns per Year

2019: Partial Year



*2019 is a partial year

1. For download date and research approach, see Footnote 1 and 2 on page 7.

2. A "New Going Concern" is a going concern from a company that did not file a going concern the year prior.

3. Data for Year 2019 is based on an incomplete year (SEC filings as of 11/13/2020). For comparison, in 2018, the SEC received 89.78% all new going concerns on or before 11/13/2019 (see table below). This percentage is lower than the 94.62% for going concerns in general (see Footnote 3 on page 7). Therefore, the new going concerns tend to be filed later than the overall population of going concerns.

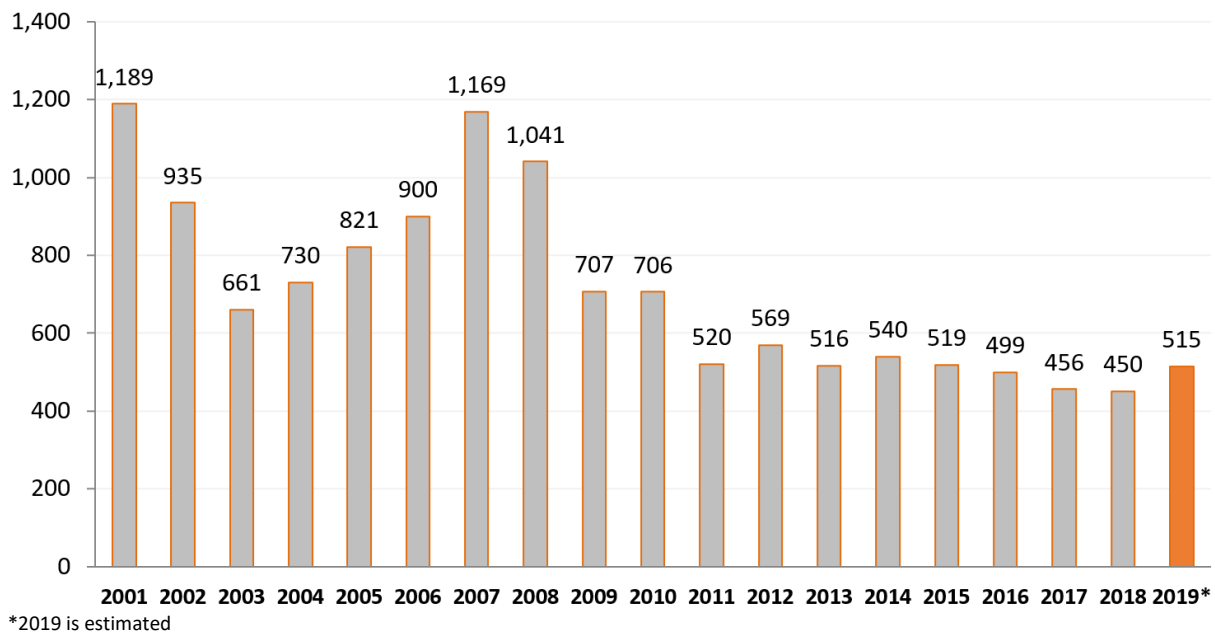
2018 Filings

Time Duration	Opinions		GCs		New GCs	
	#	%	#	%	#	%
By End of 11/13/2019	12,027	98.42%	1,689	94.62%	404	89.78%
After 11/13/2019	193	1.58%	96	5.38%	46	10.22%
All	12,220	100.00%	1,785	100.00%	450	100.00%

New Going Concerns by Year

Number of New Going Concerns per Year

2019: Estimated



1. For download date and research approach, see Footnote 1 and 2 on page 7.

2. A "New Going Concern" is a going concern from a company that did not file a going concern the year prior.

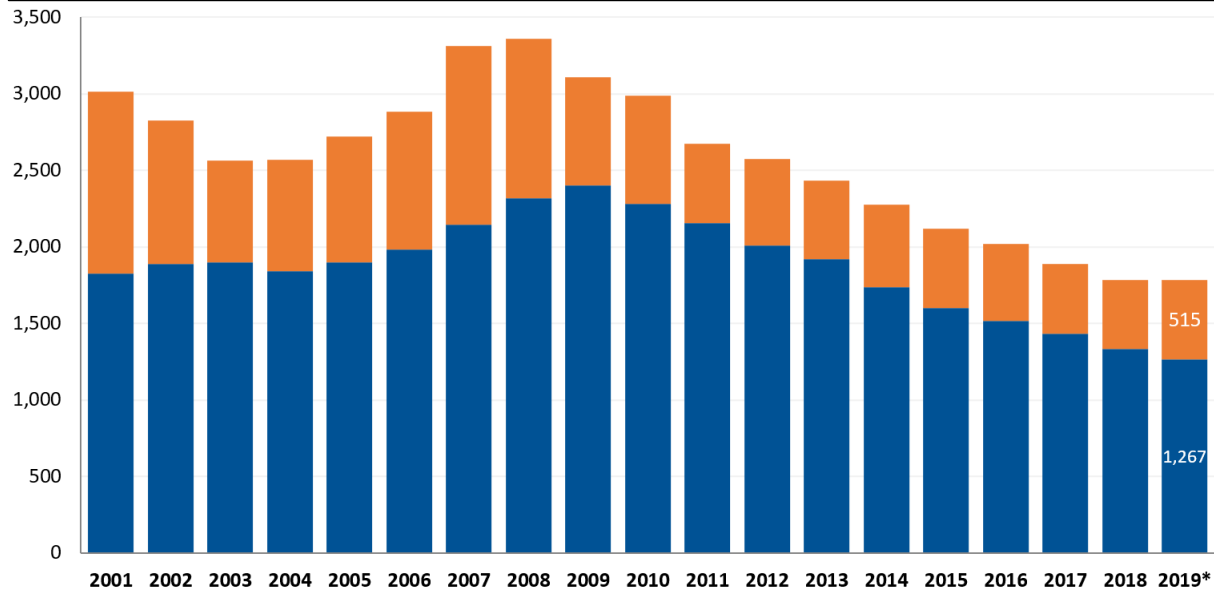
3. Data for Year 2019 is based on an incomplete year (SEC filings as of 11/13/2020). For comparison, in 2018, the SEC received 89.78% all new going concerns on or before 11/13/2019 (see table below). This percentage is lower than the 94.62% for going concerns in general (see Footnote 3 on page 7). Therefore, the new going concerns tend to be filed later than the overall population of going concerns.

4. The total number of new going concerns to be filed in 2019 is estimated as follows: For the 2019 year end, a total of 462 new going concerns were filed on or before 11/13/2020. During the same duration in 2018, as shown in the table in Footnote 3 on page 12, a total of 404 new going concerns were filed, while the entire year received 450. Therefore, in 2018, 89.78% of the total new going concerns were filed on or before 11/13/2019. $[404 \div 450 = 0.8978]$. If this ratio applies to new going concerns in 2019, the total number of new going concerns in 2019 is expected to reach 515. $[462 \div 0.8978 = 514.59]$.

Going Concerns Analysis: New and Repeated

Number of New and Repeated Going Concerns per Year

2019: Estimated



*2019 is estimated

Fiscal Year	Companies that Filed Audit Opinions	Companies that Filed Going Concerns	Going Concern History Status			
			New GC		Repeat GC from Year Prior	
			#	%	#	%
2001	18,917	3,014	1,189	39.4%	1,825	60.6%
2002	17,183	2,826	935	33.1%	1,891	66.9%
2003	17,765	2,562	661	25.8%	1,901	74.2%
2004	16,798	2,569	730	28.4%	1,839	71.6%
2005	16,783	2,721	821	30.2%	1,900	69.8%
2006	16,538	2,884	900	31.2%	1,984	68.8%
2007	16,619	3,313	1,169	35.3%	2,144	64.7%
2008	15,892	3,358	1,041	31.0%	2,317	69.0%
2009	15,586	3,106	707	22.8%	2,399	77.2%
2010	15,674	2,988	706	23.6%	2,282	76.4%
2011	15,013	2,675	520	19.4%	2,155	80.6%
2012	14,670	2,576	569	22.1%	2,007	77.9%
2013	14,448	2,435	516	21.2%	1,919	78.8%
2014	14,183	2,277	540	23.7%	1,737	76.3%
2015	13,463	2,121	519	24.5%	1,602	75.5%
2016	12,939	2,017	499	24.7%	1,518	75.3%
2017	12,625	1,888	456	24.2%	1,432	75.8%
2018	12,220	1,785	450	25.2%	1,335	74.8%
2019*	11,761	1,782	515	28.9%	1,267	71.1%

*2019 is estimated

1. For download date and research approach, see Footnote 1 and 2 on page 7.

2. A "New Going Concern" is a going concern from a company that did not file a going concern the year prior.

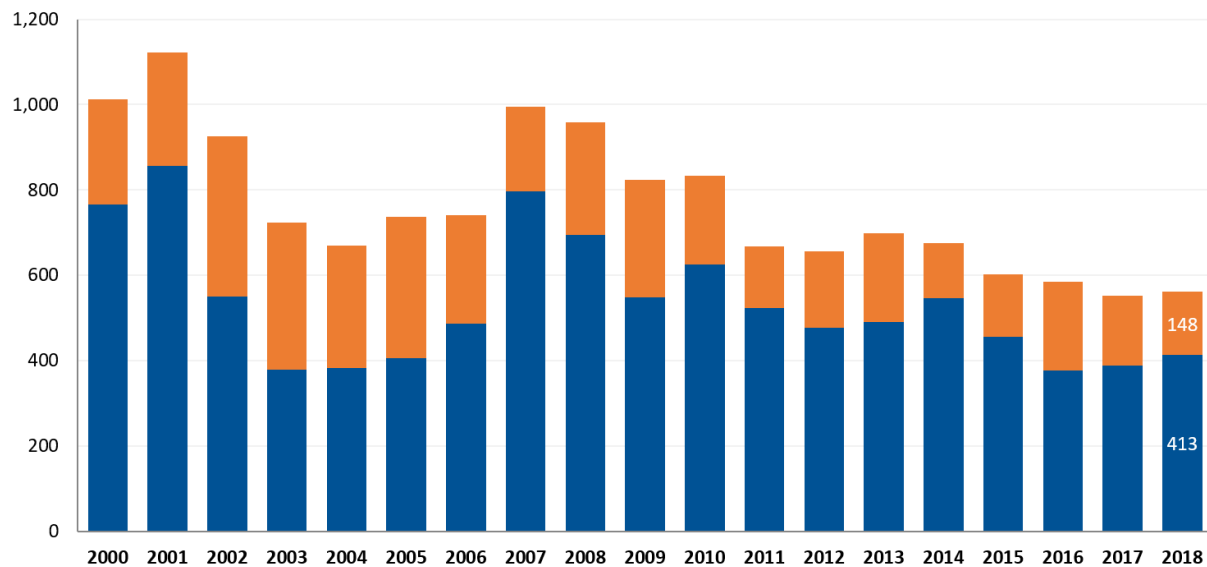
3. The "%" is based on a denominator equal to the number of going concerns filed that year.

4. Data for Year 2019 is based on an incomplete year (SEC filings as of 11/13/2020). For comparison, in 2018, the SEC received 89.78% of all new going concerns on or before 11/13/2019. For more information, see Footnote 3 on page 12.

5. The total number of new going concerns to be filed in 2019 is estimated as 450 by using the New GC ratios explained in footnote 4 on the prior page. Based on the estimated number of 1,782 total going concerns for fiscal year 2019 as shown on page 11, the estimated number of repeat going concerns is 1,267 [1782 - 515 = 1267].

Going Concerns Attrition Analysis

Number of Going Concerns that **Disappeared** vs. **Improved**



Fiscal Year	Companies that Filed Audit Opinions	Companies that Filed Going Concerns	Companies that Filed a GC for the Fiscal Year but Not the Following					
			Total		Those that Disappeared		Those that Improved	
			#	%	#	%	#	%
2000	20,030	2,843	1,013	35.6%	766	26.9%	247	8.7%
2001	18,917	3,032	1,123	37.0%	857	28.3%	266	8.8%
2002	17,183	2,867	925	32.3%	551	19.2%	374	13.0%
2003	17,765	2,585	723	28.0%	378	14.6%	345	13.3%
2004	16,798	2,583	669	25.9%	383	14.8%	286	11.1%
2005	16,783	2,730	737	27.0%	405	14.8%	332	12.2%
2006	16,538	2,887	740	25.6%	487	16.9%	253	8.8%
2007	16,619	3,320	996	30.0%	796	24.0%	200	6.0%
2008	15,892	3,370	959	28.5%	694	20.6%	265	7.9%
2009	15,586	3,111	824	26.5%	548	17.6%	276	8.9%
2010	15,674	2,990	833	27.9%	625	20.9%	208	7.0%
2011	15,013	2,678	668	24.9%	523	19.5%	145	5.4%
2012	14,670	2,577	657	25.5%	477	18.5%	180	7.0%
2013	14,448	2,437	698	28.6%	491	20.1%	207	8.5%
2014	14,183	2,279	675	29.6%	547	24.0%	128	5.6%
2015	13,463	2,126	603	28.4%	456	21.4%	147	6.9%
2016	12,939	2,020	585	29.0%	376	18.6%	209	10.3%
2017	12,625	1,890	553	29.3%	388	20.5%	165	8.7%
2018 (see Note 6)	12,220	1,787	561	31.4%	413	23.1%	148	8.3%

1. For download date and research approach, see Footnote 1 and 2 on page 7.

2. The designation "Those that Disappeared" indicates that the company failed to file an audit opinion the year after it filed its last going concern opinion.

3. The designation "Those that Improved" indicates that the company filed a clean audit opinion the year after it filed its last going concern opinion.

4. The graph above shows, for each fiscal year, the number of companies that filed a GC for that particular year, but not the year after. For example, fiscal year 2007 received 996 GCs from companies that did not file a GC in 2008. The graph also indicates that 200 companies filed a GC in 2007 and then filed a clean audit opinion in 2008. It also shows that 796 companies filed a GC in 2007 and then filed no audit opinion in 2008.

5. The "%" is based on a denominator equal to the number of going concerns filed that year. In 2000, 35.63% of the going concerns were not repeated the next year due to a disappearance or an improvement. Therefore, 64.37% of the going concerns in 2000 were repeated in 2001.

6. Data for Year 2019 is based on an incomplete year (SEC filings as of 11/13/2020). For comparison, in 2018, the SEC received 94.62% of all going concerns on or before 11/13/2019. For more information, see Footnote 3 on page 7. Therefore, the 561 and 413 figures for 2018 are inflated slightly because the data for 2019 is not complete (other opinions will come in for 2019 and reduce these numbers.)

Issues Undermining Going Concern Assumption

Going Concern Issue	Total # of Companies	Total # of Opinions	Relative Frequency
Net/Operating Loss (including recurring losses)	1,129	2,109	59.97%
Working capital/current ratio deficit/inadequacy	452	1,013	28.80%
Negative cash flow from operations	447	872	24.79%
Accumulated/retained earnings deficit	452	864	24.57%
Insufficient / limited cash, capital or liquidity concerns	248	669	19.02%
Need for additional financing to sustain operations	221	525	14.93%
Stockholder equity or partner capital - deficiency or decrease	279	520	14.79%
Absence of significant revenues	234	482	13.70%
Net losses since inception	208	412	11.71%
Need for additional financing for growth or to meet business objectives	85	292	8.30%
Not commenced, limited or no operations	126	259	7.36%
Need for additional financing for funding obligations and/or servicing debt	97	206	5.86%
Profitability concerns	105	204	5.80%
Seeking or needs to combine with existing company	41	140	3.98%
Liquidation of assets or divestitures	42	139	3.95%
Initial loss	30	109	3.10%
Notes Payable/Debt Maturity; Balance Due, Past-due, Default	65	101	2.87%
Debt covenants/agreements uncertain or not in compliance	53	70	1.99%
Development stage	36	58	1.65%
Act of God (Extreme weather, War, Illness, Even Death, etc)	38	50	1.42%
Assets – inadequate, limited, immaterial or impaired	20	47	1.34%
Liabilities exceed assets	16	37	1.05%
Bankruptcy	17	23	0.65%
Related Party/Segment Issues	12	21	0.60%
Debt is substantial	9	18	0.51%
Regulatory settlements, obligations and contingencies	5	12	0.34%
Discontinued/Disposal of Operations	3	9	0.26%
Litigation contingencies	8	9	0.26%
Refinancing contingencies	4	9	0.26%
Significant contractual obligations & commitments pending	6	9	0.26%
Recoverability of (natural) resources - uncertain	4	7	0.20%
Exploration/Pre-exploration Stage	3	6	0.17%
No Marketable Product(s)	3	3	0.09%
Gross margin – negative	1	2	0.06%
Stock/share Redemption or Option Exercise Risk(s)	2	2	0.06%
Compensation deferred	1	1	0.03%
Decline in revenue	1	1	0.03%

1. The data above is based on 3,517 going concerns filed for fiscal year 2019 by 1,686 companies.

2. The title Total Opinions refers to the total number of audit opinions mentioning the given issue.

3. Relative Frequency refers to the total number of audit opinions mentioning the given issue divided by the total number of audit opinions found in this search.

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